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—Matthew Arnold

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"Poor Information not Poor Judgment Causes Most Credit Losses."

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"The last round-up"

IN In travelling about the country during recent months, I have once again become impressed with the fact that many of our people, including business people who might well keep their eye focused almost entirely on their own business affairs, are watching the action of the stock market. There has been in existence now for one year a bull market. In the early part of this year the forces were strong enough to overcome the usual seasonal reaction after the turn of the year in the stock market.

I do not wish to appear as one who fears that a rising market means immediate death to our hope to restore sound and sane prosperity. But the speculative aspect of the market is indeed discouraging to those of us who thought that 1929 had shocked enough people into a recognition of the fact that we cannot gamble ourselves to prosperity—either as individuals or as a nation.

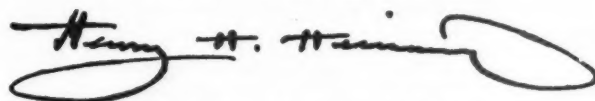
No doubt, some of the market trend has been due to inflationary fears but that cannot be given as the sole cause of this phenomenon.

On a recent Monday the Supreme Court was announcing the TVA decision. As soon as it was learned that the Chief Justice was reading the decision, the speculative element in the New York market began buying because it felt that, with the Chief Justice reading the opinion, it would be unfavorable to the TVA. In less than half an hour a huge buying wave resulted. As soon as the real meaning of the Supreme Court decision was understood, there was another wave of activity, this time the buyers making every effort to liquidate. Such action generally unsettled the market.

And this and other speculative action is in the face of an implied although not openly expressed warning by the Federal Reserve Board of Governors which recently raised margin requirements on brokerage accounts to 55%. The lack of demand for bank credit and the fact that much of the buying is on a cash basis makes possible less control of the market than might be desired. In fact, during a recent fiscal week a turnover of twenty-three million shares involved only an increase in broker loans of one million dollars.

Because the market crash dramatized the end of the "new era" prosperity, we are watching the market closely today, but we must not forget that real estate speculation, railroad booms, commodity speculation, and monetary panaceas have also brought an end to other prosperous periods, and so we must be alert to check over-indulgence in other lines than the stock market, if we are to make the coming prosperity a lasting one.

If the present pace of the market continues, however, the historians of the future may well characterize this period as "the last round-up." Certainly the sheep are swarming in. It may be the last shearing. A serious market set-back would bring repercussions which might well result in the elimination of all margin buying and drastic curtailment of stock market operations.



Executive Manager, N.A.C.M.

A piece of her mind

Wherein HELEN MUTNICK, Credit Correspondent, Reliance Paint and Varnish Company, Detroit, Michigan, makes some pointed remarks about credit men and the letters they write.

Read it—then write us what you think!

C Whenever I have started to talk about letter-writing, the men who have always settled back in their chairs and gone to sleep have been the credit men. I have always been able to secure the attention of salesmen who want to know how to put a punch into letters, and how to end a letter so that the customer will send in his order, but the credit men have always snuggled down further in their chairs and emitted a larger snore.

Because of this attitude, it has been the salesmen who have become "letter-minded", and today most firms are spending thousands upon their sales-letters. Everybody takes a hand in writing the sales-letters, and as a result when these letters come to you they are alive, human, witty and usually succeed in interesting you.

But nobody helps the credit manager compose his letters. Daily the credit man grinds out his letters, stopping the credit of some customers, trying to coax or bully other customers into paying on their past due accounts, and informing new customers that their credit is not up to the standard of the firm, and therefore they must pay cash if they intend to buy any merchandise from his concern.

Now, most credit men I have met are interesting men with a keen sense of humor, who look and feel alive, and are entertaining to talk to. But what happens when these men sit behind their desks and start their daily dictation? Because they lack this incentive of continually gaining new customers, and because it is the easiest way, credit men fall into the habit of using stereotyped and worn-out phrases that completely hide the personality of the man writing the letter.

Credit letters invariably lean backwards in their formality and dignity.



They lack spark, ingenuity, and friendliness, not because the credit man himself is a grouch, or a person without friends, but because the writer has used personality-hiding phrases and words.

It is true that in school we were taught to be "business-like" in our business correspondence, which really meant the elimination of all personalities, but it is my contention that this teaching is wrong. Eliminating personalities

means eliminating personality, leaving dignity.

Some business men are afraid that a lack of these hackneyed phrases in their letters represents a lack of education, whereas it is actually the other way 'round. Other business men are afraid of insulting the customer by too much friendliness in their letters, but it seems to me that a formal, coldly-worded letter stands a better chance of insulting the reader than a letter that is trying to be friendly.

As credit manager, in the course of your day's work, you have occasion to turn down an order from a customer who has over-extended his credit limit. Suppose you send him a letter something like this:

"We acknowledge with thanks receipt of your order of Feb. 15th, but same cannot be shipped until we receive a further check on your account, which now stands at \$152.65. Merchandise will be shipped promptly upon receipt of a check totaling \$50.00 or more."

Then what happens? The salesman comes rushing in angry and excited, because the formality of this one credit letter has ruined weeks and months of his work. The salesman has worked to build up a tone of friendliness and helpfulness between the customer and the firm, and then a formal letter from the credit department goes out to the



"Everybody takes a hand in writing the sales letters"

customer. The whole structure is torn down.

I have often heard customers calling some salesman their friend, but I have less often heard them calling the credit manager their friend. And yet the credit man can be more of a friend to the customer than the salesman. Why? Because the salesman has a tendency to over-sell a customer, and you, the credit man, having had much more financial experience, can guide the customer into a safe financial channel. If you can express this attitude in your letter, instead of making the customer feel as though you were a drag on the sales department, he will feel, instead, that you are safeguarding and helping him.

Naturally, it is hard to convey this feeling of friendliness and helpfulness in a letter, but it can be done. Some of you are going to tell me that you cannot do this because you do not know the customer, never having called on him. You can be friends with a man without having to address him as "Dear John." The secret lies in getting your personality across to the reader of your letter. If you can succeed in making him feel the power of your personality, you will have succeeded in making a friend for your firm.

What do I mean by personality-hiding words and phrases? To me these are phrases that are so over-used and worn out that the original meanings (if they ever had any) have been lost. Here is a sample:

"In answer to your letter of the 14th."

Is there some law that compels a writer to use this phrase at the beginning of a letter? I realize that in dictation this is the first phrase that comes to the mind of the dictator, but also it is the first phrase in practically nine-tenths of the letters that come to your customers. Do these words express anything about your likes or dis-



likes? Do they in any way indicate to your customer what your mood is? No. The words are a mere formality which convey nothing, take up space, and set the tone for the letter.

If these words only took up space, and gave you an easy beginning to go into the body of the letter, I would not consider it such a crime to use them, but the danger lies in the fact that they start the letter off on a formal tone—which is just the tone you want to avoid.

Why not begin something like this:

"Yours is the first letter I saw this morning, and it is certainly pleasant to receive your check paying part of your account."

Or like this:

"Yes, we'll extend your note for thirty more days, as you request in your letter of the 14th."

Or this:

"On this cold wintry morning, I envy your Florida sunshine, and when I read your letter of the 14th, all I could think about was going in swimming. With so much sunshine on hand, I know that you are not going to feel so bad when I explain why we cannot extend you any more credit until we receive another check."

You will notice that in each of these starts you have begun with a human, everyday phrase, one that your customer uses himself. You are making the customer conscious of the man behind the letter by telling him a little about your likes and dislikes.

Going on to the body of the letter, very often I have come across the phrase "After due consideration," and I have always wanted to know how much consideration was "due consideration." Instead of using an empty phrase like that, why not try something like this:

"The sales manager and I have talked this matter over, and we have tried to see it both from your angle and

ours, and after an hour's discussion we decided that the best thing would be not to extend you any further credit, and this is why."

What customer could be insulted at a letter containing such a friendly yet definite refusal? By telling him what has gone on behind the scenes, you stand a greater chance of clinching this customer as a friend, and continuing his business on a cash basis.

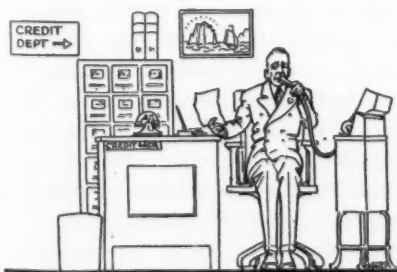
Many writers use the phrase "We beg to advise." If they were speaking to the customer they would not beg to advise him. They would go ahead and advise him, so why not do it in a letter? It doesn't sound any better in a letter than if you used this phrase in talking.

Probably you yourself have used the words "Upon investigation." Instead of using this phrase, why don't you tell the customer what investigation you did, and why you have to turn him down? An ounce of explanation is worth a pound of phrases such as these.



Now we come to the worst word of all in setting a tone of formality to a letter. It is the use of the word "we" in place of the word "I." I cannot see how you will be able to project your personality across to the customer if you are going to hide behind the word "we." Unless your firm absolutely forbids the use of the singular pronoun, a few I's sprinkled through the body of the letter will bring about a closer feeling between you and the reader of your letter.

And, lastly, consider your greatest aid in establishing a friendly tone to your letters—the use of everyday ordinary slang. Your customer understands slang because he uses it every day, and, nine (Continued on page 32)



... nobody helps the Credit Man.

Is December 31 a natural?

The idea behind "the natural business year" is explained by
ALEXANDER WALL, Secretary-Treasurer, Robert Morris Associates.

C Sometimes December 31st is a natural. This means that there are industries which may use December 31st quite naturally as a date for inventorying and to close the books after an annual operating period.

But there are many industries for which this date is distinctly artificial, abnormal and truly undesirable. To bring this statement into easy understanding let us hypothesize a little.

Mr. Manufacturer engages in the production of merchandise which sells in the late summer to the ultimate consumer. Working back from retailer we pass through the period during which the wholesaler, jobber or general distributor has handled this merchandise. Back of this group comes the producer, Mr. Manufacturer.

A schedule of the movement of such goods might be, roughly and for description sake, something as follows:

Bulk consumer purchases August.

Bulk retail store purchases July.

Bulk distributor purchases April—June.

Manufacturing period August—March.

This covers a year and is quite probably only theoretical because too distinctly segregated and sharply marked. But many businesses have production and distribution histories quite like this assumption.

What is the condition if this Mr. Manufacturer takes inventory and closes his books as of December 31st? He will have been piling up his inventories for some four, five or six months in preparation for the outgo to distribution which will begin in January and bulk in April to June. His inventory will be quite high, his factory will be running full blast, his business will be under production pressure.

It will be extremely inopportune for him to slow or shut down his production line to take inventory. It will be difficult for him to supplement clerks

in one department by drawing from another in order to expedite the taking of inventory. Altogether this date is a mess for him as a statement date.

Suppose Mr. Manufacturer decides to do something original and independent and selects April 30th as the date on which to close his books and issue his statement. What conditions will confront him? His manufacturing process will be past, his selling campaign will have moved most of his inventory away so that in physical volume it will be quite moderate as compared to what it was on the preceding December 31st.

He will be able to take his inventory much easier, and more cheaply because it will be smaller. Because manufacturing processes are at a low activity they will be hindered very little by inventory taking. Clerks can be moved from one department to another to assist in inventory taking.

Under the first assumption Mr. Manufacturer uses an artificial calendar date and under the second a rational, natural date. The disadvantages and advantages so far discussed concern operations. Under the unnatural date there are costs and conflicts entirely disproportionate to the costs and convenience of the natural date. Are there perhaps any other less obvious advantages? But certainly!

Given a condition of an accumulated, rather substantial inventory, we find almost always an inflated current debt. An arithmetic example shows the change when seasoned operation reduces the inventory.

High Inventory and Receivables

Cash	\$ 5,000
Rec.	20,000
Mdse.	25,000
Current Assets	\$50,000
Current Debt	25,000

Current Ratio.....2 for 1 or 200%

Low Inventory and Receivables

\$ 6,000 ÷	\$ 1,000
15,000 —	5,000
10,000 —	15,000
\$31,000 —	\$19,000 Net
6,000	

5.16 to 1 or 516%

It has been assumed above that \$1,000 of the reduction of inventory and receivables was retained in the cash account and \$19,000 applied to the reduction of current debt. Quite obviously the second statement shows a prettier current position, a more attractive proportion. The cash alone is enough to liquidate the current debt, while in the first statement the cash was only 20% of the current debt. In addition to being easier and cheaper to produce, the statement would seem to rate higher in credit analysis.

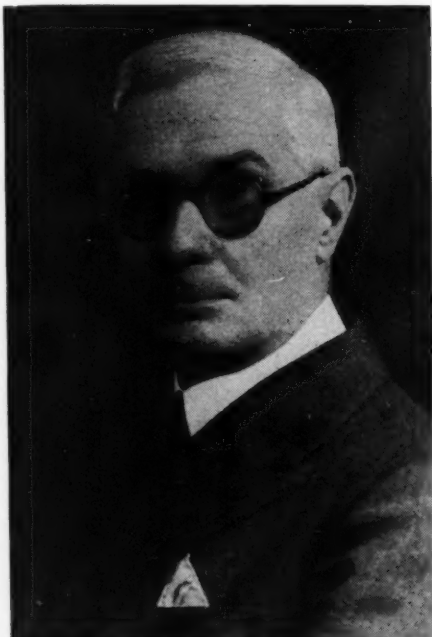
There is also another distinct advantage to Mr. Manufacturer in selecting the date which will be away from the concentration existing around December 31st. During the several months following the first of the year the flow of statements into the banks creates a tremendous congestion in analytical and contemplation procedure. Department analysts are driven to top speed to complete the analysis of each statement as rapidly as possible. They are always behind. Loaning officers have a very heavy load of executive examination into risk and interview periods.

While everyone does his best and uses all possible consideration, still each one, from top to bottom, is under unusual pressure. Unusual pressures breed haste. Haste hinders judicial review, thoughtful consideration and quite side-tracks suggestive criticism, substituting therefor a protective attitude of being simply safe.

If the log jam of December 31st statement dates can (Cont. on page 34)

Developing the credit man

by Dr. PAUL HICKEY, President,
Detroit Institute of Technology



limits his discussion of his firm's texts to a very few moments, but during the time he is in the office he learns more of our needs and creates more wants than any of the men who make an effort—often a painful one—to impress me with the superiority of their products. Furthermore, I am always delighted with the conversation and he finds me in a receptive mood whenever he chooses to come. He always sells himself. His background is impressive.

Assuming, then, that the Credit Man knows his job technically, and is always improving himself professionally, his success will be closely related to the development of his own personality. This means the accumulation of more and better "business connections" and a steadily mounting importance in the competition of his group.

The matter of "background" is assuming tremendous attention in every well-paid profession. The business world sits up and takes notice of the mind that grasps a situation quickly and clearly and rewards its possessor accordingly. The mind that can approach the problem from many angles is the mind to which we refer. To be specific, how far would a Credit Man get who decided my case on my bank balance alone?

The psychology of it involves an understanding of me, my temperament, my ability to make and keep friends, my social activities, my character. A man needs only to sit down for a quiet half hour and catalog his acquaintances to discover how quickly he will separate out those in whom he has confidence, and confidence is the basis of credit. I know several men with large

bank balances to whom I would not loan money.

The fundamental aim of all trade is to make profit. The fundamental aim of the Credit Man should be to increase profitable sales. How absurd to imagine that his sole function is to reduce losses. No man in the whole organization has a greater opportunity to make friends for the concern, increase the volume of business, smooth the

An exchange says: "A Credit Man is a composite union of many trades, unions, callings, professions, and arts. To be a successful credit man, he must be something of a lawyer, an expert psychologist, a fair phrenologist, a historian, an uncertified C.P.A., a never failing physiognomist, a modern prophet, naturally without honor in his own country." Toledo Credit News reports.

"To be an ideal credit man, he must have something of the patience of Job, the wisdom of Solomon, and the courage of David. He must possess tact, ability to concentrate, power of analysis, initiative, memory and sales ability. When business is dull, and failures are plentiful, and his customers are holding the dollars so tightly that you can hear the eagle scream in pain, when the head of the firm is complaining of the losses, the credit man must be of the type that can look unperturbed into the face of a bankrupt when he testifies he has forgotten his name and address."

ruffled fur of the irate customer, in short, demonstrate the firm's policy.

I received a letter the other day from a credit man, a letter of inquiry concerning a friend. It was crude, it was stilted, it had three grammatical mistakes, it asked specifically for information that my evident relationship with the man could not supply. I would remark that this Credit Man might profit by personal development—by filling in a richer "background."

CA man never stands to lose by training his mind. Of course it is undebatable that a man must train himself specifically for the line of work that he is pursuing or intends to pursue.

In that last sentence, "is pursuing" emphasizes the necessity of continuous training. This means association with men in his own line; it means the reading and owning of the new books; it means a persistent perusal of the current magazines devoted to his business; it means the attending of lectures and an occasional study course. This is only what he expects of his physician, of his preacher, of his boy's teacher, in his demands that he keep "up-to-date."

So this article is a plea for what we may term "background"—a mind stored with a fund of material that will serve the possessor when the demand arises. An opportunity will only make a man ridiculous if he is not prepared for it.

The best book-man who calls on me

"We help debtors write us letters"

says JOHN W. POPPLE, Credit Manager, Emsco Asbestos Co.,
Downey, California, in outlining his interesting collection system.

OF The old adage, "Necessity is the mother of invention," is particularly applicable in the case of our development of a series of collec-

tion letters and another series of form letters easily adaptable for our debtor's use in replying to our letter. In other words, we not only write our

debtors, but we give them a form letter, as illustrated on the opposite page, so that they can send it to us with their answer.

The Emsco Asbestos Company is a manufacturer of brake lining and supplies jobbers of auto parts throughout the country. Because our business was expanding rapidly, with new customers being added from practically every state, a problem was developed. The factor of time and distance from the home office in California was something needing sensible solution, since the subjects for credit determination and collection contact were, in many cases, located hundreds and thousands of miles from our headquarters.

Personal contact by the Credit Department was obviously impossible in most cases. The necessary correspondence, nevertheless, had to be handled at one desk in California. And so it became necessary to develop some means of accomplishing as much as possible of this work at one lick.

We realized that we had to make one contact, with regard to the collection of a past-due balance, accomplish three important things:

1. Bring to light any hindrance in connection with the payment of the account.
2. Get a response from the customer.
3. Get the money or a commitment concerning the payment of the amount due.

The idea that these main points could be covered in one reply form resulted in the one on the opposite page which is now being used. It is accompanied by a standard statement form showing the invoices as usual,

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2910 MAIN STREET

CAMBRIDGE
122 BROOKLINE STREET

INDIANAPOLIS, INDIANA
1818 N. PARK PLACE

January 15th, 1936

John Smith & Co.,
1111 West 1st Street,
New York, N. Y.

Gentlemen:

You will find enclosed a statement in detail covering your purchases for the month of November, for which we have not yet received your remittance, showing a total according to the Emsco Asbestos Co. books of \$40.41.

The purpose in furnishing this additional statement is to determine if our records agree and to disclose any point of difference.

We shall appreciate your informing us of the correctness of these charges. Any adjustments or further information you may desire will receive our prompt attention.

For your convenience you will find enclosed a reply form, together with a return envelope.


Yours very truly,
EMSCO ASBESTOS CO.

By
J. W. Popple,
Credit Manager.

PS: No doubt your check is now in the mail; if so, kindly accept our thanks.

JWP:ms
Encls.

cc-J. Brown



MEMBER OF THE BRAKE LINING MANUFACTURERS' ASSOCIATION

and the letter illustrated on page 8, of course, always goes with it.

The writer has found it necessary in his experience first to remove any misunderstanding or disagreement as to the amount due. Thus we are in a good position to ask for payment if the amount is due. The first letter, which is reproduced on the left hand page here, is designed chiefly with this thought in mind and approaches the customers with the idea of reconciling the account.

The general tenor of the letter, as you see, stresses a desire to get together with the customer in an understanding as to the correctness of the account. It is not merely a request for payment based on the assumption that the sum mentioned by the writer is correct.

You see, we may not be right—the customer may have a very good reason why he has not paid the account and that reason may well be unknown to the credit department. For instance, we have had salesmen fifteen hundred miles away from the home office who have made all kinds of unauthorized promises. But unauthorized or authorized, these promises were accepted by the buyer and could be the cause for friction if we allowed it to develop.

Getting the customer to reply to a collection letter, as we all know, is one of the big problems of the credit department. If any of us receive a form letter, we are very apt to file it immediately in the waste basket. The customer is a busy man (or we hope he is!) and hasn't much time to spend answering our letters. The reply form and the stamped, addressed envelope make it easy for him to reply—at least he may not get provoked at us for writing him.

With this thought in mind, the letter is always typewritten so that it looks like an original even though it is a standardized form letter. At least, the fact that it is typewritten gives us a chance of having the customer begin reading it. And in it we try to impress him with the fact that we are not yet ready to put him in jail but are merely trying to get together with him. He keeps on reading and discovers that we have enclosed a convenient reply form covering every situation and a return stamped envelope for his convenience. In such case, there can be little reason why he shouldn't answer. And he generally does.

Our experience in using this letter and the reply form over the past two years has shown that in the majority of cases the customer responds. The reply form is not always returned, but we do notice that the return envelope often comes in with a check in it. In many cases, the reply form is used as a remittance advice with check attached—quite often including also the current month's billing. And if there happens to be a difficulty which is hindering payment, the reply form comes back with ample notations. In many cases the customer indicates the date he will send in his check.

This is not the whole of our system however. We have a second letter which is not reproduced herewith, but which I will outline:

Second letter

Gentlemen:

Under date of January 15th we forwarded a detailed statement of your account for the month of August. Since we have received no reply to our letter we presume that the amount of \$40.41 is correct.

As you know, the charges entered during November are now past due. Will you kindly forward your check, in order that the account may be brought up to date?

Yours very truly,
Emsco Asbestos Co.,
By J. W. Popple,
Credit Manager.

You will note that (Cont. on page 37)

EMSCO ASBESTOS CO.
DOWNEY, CALIF.

Please mark check against the information you are giving and return in the addressed envelope enclosed. DO IT TODAY!

Customer: John Smith & Co.,
1111 West 1st Street,
New York, New York.

Emsco Asbestos Co.
Downey, Calif.

Attention: Credit Manager

Gentlemen:

In reply to your letter of January 15th regarding charges to our account for the month of November - \$40.41 we wish to advise as follows:

☐ The statement is in agreement with our records.

☐ The statement is correct with the following exceptions: (Please give details here or on reverse side if more space is needed.)

With regard to payment of the above:

☐ Check is already in the mail.

☐ Check was mailed (date) and should have reached you.

☐ Check will be mailed on or about

☐ Please find enclosed our check No. amount \$

Yours very truly,

Customer JOHN SMITH & CO.

By

☐ Please have your salesman call on us in regard to



The trade acceptance:

Its effect on accounts receivable, working capital, profits.

by JOHN H. PETO, Worthington Pump and Machinery Corp., Harrison, N. J.

EN With an upturn in business, financial statements will, on the average, reflect heavy accounts receivable and a shortage of working capital. Profits in any business being dependent upon working capital and the rate of turnover, it is imperative that accounts receivable be kept in as liquid a state as possible. In this the trade acceptance can play an important part.

The use of a trade acceptance is often misconstrued. It is not a "cure-all" for poor credit risks and should not be used where the credit of a customer is such that it is advisable to secure cash in advance of shipment or make a sight draft delivery.

During and shortly after the World War a movement was launched to popularize the use of the trade acceptance between the larger corporations of the country in an effort to stimulate credit expansion. Business houses were urged both to give and take, little consideration being given the financial condition of either the acceptor or the maker.

Those whose financial condition was exceptionally strong were reluctant to accept such a plan, while those whose cash and physical position had suffered seized upon the opportunity to obtain credit via the trade acceptance with resultant losses to those creditors having more faith than knowledge of the use of the trade acceptance.

Today, however, with the working capital of a good many companies at a minimum, which paradoxically can be due to either a lack of business or an abnormal increase, the trade acceptance has, in either case, a very definite place and value in the business of all, from a somewhat different angle.

In the opinion of many it is good

PURCHASER'S RECORD	
AMOUNT \$	
ACCEPTANCE DATE	
DUE DATE	
AT	BANK
TO	
COVERING INVOICES	
REMARKS	

policy for the business house extending credit to obtain a trade acceptance from those customers who are known to be good risks; that is, those whose physical assets are of sufficient proportion to outstanding indebtedness to warrant faith in the solvency of the business, but whose debt paying reputation has always or has just recently become delinquent to the extent of four to six months in the settlement of thirty-day invoices.

In securing a trade acceptance from such a customer, you do NOT improve the existing credit risk, but you do improve the chances of collecting your money on the agreed terms of sale, for most people will arrange to meet a signed obligation when due, whereas they would permit an open account to lag.

This seems to hold particularly true with the trade acceptance, more so than with a note. And, why not? For, after all, the trade acceptance when taken by the seller from the purchaser does not represent the same degree of inability to pay on the part of the purchasers that a note generally does. It is actually taken as a form of insurance for prompt payment from those who could if they would. In obtaining a trade acceptance under such conditions a more liquid debt or account receivable is maintained, and if practiced extensively will reduce the percentage of delinquent accounts thereby permitting a greater turnover of working capital with resultant profit.

In order to better understand the trade acceptance a comparison with the promissory note is advisable. Comparing them, we find that a note represents a promise to pay; a trade acceptance an order to pay. There is a recognized form governing the trade

Reverse of center
portion of form
on opposite page

acceptance, any deviation from which would affect its value under the negotiable instrument law.

The laws governing notes are more flexible regarding the manner in which they can be written but they must contain a promise to pay at a definitely stated time for value received.

A note may be given by anyone to cover either an old obligation arising from a merchandising transaction or a personal debt, whereas the trade acceptance is a draft drawn by the seller of goods, a merchant, upon the purchaser, also a merchant, and accepted by the purchaser as payable at a cer-

tain definite time and place without interest or qualifying conditions. It is given to cover a current merchandise obligation and is actually an acknowledgment of debt before it is due. Because of that understanding, it is never used to cover a past due account.

(Continued on page 41)

Complete, standard Trade Acceptance as approved by the N. A. C. M.

TRADE ACCEPTANCE
STANDARD FORM APPROVED BY THE
NATIONAL ASSOCIATION OF CREDIT MEN
AMERICAN ACCEPTANCE COUNCIL
FEDERAL RESERVE SYSTEM

No. _____ 19____

ON _____ (DATE OF MATURITY) _____ (CITY OF DRAWER) _____ (DATE)

PAY TO THE ORDER OF OURSELVES

_____ DOLLARS (\$ _____)

THE TRANSACTION WHICH GIVES RISE TO THIS INSTRUMENT IS THE PURCHASE OF GOODS BY THE ACCEPTOR FROM THE DRAWER. THE DRAWEE MAY ACCEPT THIS BILL PAYABLE AT ANY BANK, BANKER OR TRUST COMPANY IN THE UNITED STATES WHICH SUCH DRAWEE MAY DESIGNATE.

TO _____ (NAME OF DRAWER) _____ (STREET ADDRESS) _____ (CITY OF DRAWER) _____ DATE _____

ACCEPTED _____ (SIGNATURE OF ACCEPTOR) _____ (LOCATION OF BANK) _____

PAYABLE AT _____ BY _____ (NAME OF DRAWER)

DETACH BEFORE RETURNING ACCEPTANCE

A TRADE ACCEPTANCE

Is an acknowledgment of a debt by the buyer in favor of the seller, for merchandise that the seller had placed in the hands of the buyer. The buyer agrees, in writing across the face of this acceptance his name, the name and location of his own bank and the date, to pay the amount of this certain indebtedness at a certain time at his own bank.

This varies from the open book account method only in giving the debt a negotiable value.

According to a FEDERAL RESERVE BANK GOVERNOR'S OPINION, the signing of an Acceptance increases the financial standing of the giver, because it shows prompt paying methods.

Kindly fill in attached Acceptance above, on red lines across form and then forward to us.

SEE REVERSE SIDE

SELLER RETAINS THIS PORTION

NAME	ADDRESS	PAYABLE AT	CITY	DATE	DUE DATE	AMOUNT \$	COVERING INVOICES	DISCOUNTED AT	NET PROCEEDS \$	REMARKS

Safeguarding capacity through U & O coverage

by C. D. MINOR, Superintendent Special Service Departments, Royal-Liverpool Group.

OF One of the functions of insurance is to prevent the impairment of credit. This statement is substantiated by the constant use of the mortgage clause in connection with building property, but even where property is not involved by a mortgage obligation such a function may be equally important, because where adequate insurance is carried the permanence of tangible values, which comprise the assets of a property owner, is assured in one form or another.

The importance of insurance in this respect may not be recognized at all times by the owner of a business and frequently may be overlooked by those who extend credit to business concerns. However, such a fact merits the judicious consideration of credit managers, and should be applied by these individuals as a safeguard against the possibility of their principals becoming involved with some one who has the misfortune to have his property destroyed by fire, or some other casualty, without appropriate insurance, resulting in hopeless inability of such person to liquidate his indebtedness.

While the function of insurance in this direction may be fairly generally recognized with regard to property values, it is doubtful that much consideration is given by credit officials to the necessity of protection against the loss of earnings which would occur if a "going concern" should have its physical property damaged or destroyed by fire, or other casualty, thus suspending or interrupting the business. It is not difficult to visualize that in many instances the loss of earnings might prove to be of greater moment in its relation to the solvency of the owner than destruction of the physical

property.

To illustrate the foregoing, let us assume that the John Doe Company owns physical property, which is used for manufacturing purposes, worth \$300,000. Fire insurance for the full value of this plant and contents is carried, and thus it would seem that so far as loss by fire is concerned the owner is amply protected. However, let us assume that in order to have working capital with which to carry on operations the owner has borrowed \$100,000 for 90 days from a commercial bank. This is a liberal credit which the firm has, but is fully understandable because it enjoys an excellent reputation and makes a product which has a ready sale, with a turnover of around \$500,000 a year.

Profits from such a volume will approximate \$100,000, therefore no difficulty will be experienced in repaying the loan in due course, if not at its maturity then at the maturity of a renewal for a similar period. However, the unexpected occurs. Just as production is well under way and orders are pouring in, the plant is a total loss by fire. It is found that it will take approximately six months to rebuild the property and get back in production. What happens? The owner has certain expenses, such as executives' salaries, salaries of important employees, taxes, interest and other similar charges which continue and which must be met. The funds from the loan have been invested in patterns, dies and raw material which have been destroyed and there is no appreciable surplus with which to meet these expenses.

As a result, the \$300,000 which is secured under the fire insurance is en-

croached upon even before it is received, and similar encroachment will continue throughout the period of interruption. In due course the money borrowed from the bank becomes due, and the bank may or may not accept renewal of the note. If it does not, then the funds from the insurance are further depleted by the amount due the bank.

Assuming that the continuing charges amount to \$75,000 during the six months required in rehabilitating the plant, and that the loan is paid, we find that the owner is actually short \$175,000 in the amount necessary to rebuild the property and get back in business. It certainly will be difficult to secure this sum from any source, to say nothing of also securing necessary working capital with which to start operations after the plant is ready for production. The result is that the owner is faced with a situation which is more or less hopeless, and the end is bankruptcy. As a consequence, the firm which enjoyed an excellent credit rating and had splendid prospects goes out of business.

What is the preventative which should have been applied under conditions which obtain in the foregoing illustration? The answer is a very simple one—Use and Occupancy insurance! Predicated upon the illustration used, the owner in this instance needed approximately \$250,000 Use and Occupancy insurance, and if the credit manager of the bank had seen to it that this type of protection was carried the disaster of bankruptcy would have been avoided, and the business would have continued to contribute through its functions to the general welfare of the country, its employees

and the stockholders or owners.

If such insurance had been carried how different would have been the situation. The owner would have been reimbursed for the continuing charges and expenses (amounting to \$75,000) and also would have collected the actual loss sustained in net profits (amounting to \$50,000 for a shut-down of six months, assuming that earnings ran uniform throughout the year), thus placing the business upon the same financial basis that it would have been had no fire occurred with its consequent interruption. By such protection the solvency of the concern would have been maintained. The cost involved would have been but little upon a comparative basis, and while this example shows a lack of business prudence on the part of the owner, it likewise shows a lack of foresight on the part of the credit manager of the bank.

The purpose of Use and Occupancy insurance is to reimburse the owner of a business for the loss sustained by reason of decreased or cut off earnings during a period of suspension caused by damage to or destruction of physical property by fire or other casualty insured against. Such protection will do for the insured exactly what the business as a going concern would have done with respect to earnings, had no interruption occurred, if the coverage is written in a proper amount and under an appropriate form. It is a type of insurance that no owner of a business can afford to be without, if the property, (building, machinery, equipment and stock) used and occupied in the conduct of the business is subject to damage or destruction by fire or other casualties against which insurance may be carried.

Unquestionably, insurance companies and agents have not been as active as they should have been in bringing the importance of Use and Occupancy insurance to the attention of business owners. However, it must be recognized that when insurance representatives present a subject of this character the immediate reaction of the person approached is that the presentation is prompted only by a desire to sell him more insurance. Thus, a barrier is raised, and frequently the wise counsel offered is rejected without the consideration which it justly demands. One who loans money or extends credit to another is in a much different position to him who is selling insurance.

As a rule the very closest and most confidential relation exists between the borrower and the lender in such cases. Therefore, if the one who lends money or extends credit to business owners would but have the foresight to not only suggest but demand that such borrowers carry Use and Occupancy insurance, a real benefit would be accomplished for every one interested in the negotiations and the successful operation of the business.

As a general thing the value of physical property alone is not the basis of credit. It is primarily the earning power of the physical property or the business involved, because it is from income or earnings that the loan is expected to be paid. Thus it is apparent that it is not sufficient that the credit manager or lender demand insurance against damage to or destruction of the physical property, but he should go a step farther and require insurance against the loss of earnings. Where this is done one who extends credit will know that regardless of how badly the building, machinery, equipment and stock may be damaged, with a resulting suspension of the earning power of the business, the insurance carried will step in and provide funds which will place the business in the same liquid condition it would have been in had there been no cessation of earnings.

Many have referred to Use and Oc-

cupancy insurance as "Business Life Insurance". This is a rather appropriate name for the coverage, for where credit is involved it assures that the earnings upon which the credit is based will be continued (through indemnity) even though the business may be suspended by reason of the hazard insured against. It assures the continuation of the business, for so far as the insured is concerned, if the proper amount of insurance is carried and the policy has been written properly, there will be no impairment of income even though the casualty has prevented operations for many weeks or months.

In this connection it should be remembered that Use and Occupancy insurance is written by fire insurance companies against the hazards of fire, tornado, explosion, riot and civil commotion, earthquake, sprinkler leakage, aircraft and motor vehicle property damage, and other hazards against which such companies issue property damage insurance.

This type of insurance is one which merits the most careful consideration of credit officials, in order that they may properly safeguard the interests of their employers and that they may be of the greatest service to those to whom they extend credit. Complete information regarding this form of protection may be secured from the representatives of any of the more prominent fire insurance companies.

Keystone



"It is not difficult to visualize that in many instances the loss of earnings might prove of greater moment in its relation to the solvency of the owner than destruction of the physical property."

Form letters DO collect!

by E. B. CANTRELL, General Fire Truck Corporation, St. Louis, Mo.

C Although we have fallen of late into a deep contempt of the form letter, it has many merits of such importance that they should not be discarded. We all know of its great value from an economical standpoint; the saving in time, labor, overhead; and its simplicity. It also permits control of the collection department by standardization. And we must not overlook its value from a standpoint of writing good letters.

We can afford to spend considerable time and thought getting up a series of form letters because they are then used repeatedly. Where every letter is dictated as a personal letter we must dictate our thoughts at the moment. We are all human and some days our concentration and thinking are not of the best. Therefore, as a rule, the form letter is much better constructed.

On the other hand, intricate collection problems of today and advancements in systems of Credit Interchange have made it impracticable to send out a series of form letters in general. There are too many classes of debtors to whom we must appeal. Therefore, we must deal with each account on its merits.

An attempt will here be made to explain a system whereby we have retained the many benefits of the form letter and, at the same time, went along with the present day trend to make each letter a personal one. However, before attempting to explain this plan, it will be appropriate to consider conditions as they are today and some of the problems confronting the collection manager.

One of the major principles of credit and collection management is to "know the debtor"; to have a clear picture in mind of his financial condition and paying record. The more we know about him, the easier is our problem. Today, with complete financial and paying record information available through Credit Interchange reports and other agencies, it is remark-

able how easy and inexpensive it is to obtain a clear picture of debtors.

With this information, or picture of the debtor in mind, so to speak, we are in a position to determine a definite plan of action on each account. We can adapt the letter to fit the particular need. Obviously, it would be foolish to send out a series of form letters to all debtors alike. Before all this valuable information was so easily available, we were probably justified in so doing as we were, more or less, working in the dark anyway. But now, seeing each debtor as a personality, we are in a position to consider the merits of each case and to appeal for payment accordingly.

We can see each customer's problems and reflect an interest in them in our letter. It may be desirable to appeal to his pride, approval, honor, ownership, fairness, fear, etc. We might want to help him in his problems in order to retain him as a valuable customer. Again, it may be advisable not to waste any time, but to write a strong letter demanding action immediately.

For example, here is a debtor whose record shows he is slow pay in general. We can make an emphatic demand for immediate payment and follow him up closely. Here is another debtor whose record shows he is paying others promptly but hasn't responded to our reminders. In this case we can feel reasonably sure that he has either merely overlooked our account or has some kind of complaint to make. Obviously a cordial contact along this line would most probably get immediate results.

Let us consider the small account for a moment. Here is a group of delinquent small accounts ranging from one dollar to ten dollars. The amount involved might not warrant our obtaining a report and analyzing it. Most of them are good unless credit was granted blindly, so we would be securing and analyzing reports on all of

them, whereas, only a very small percentage of them would be doubtful. Even with this problem, we are able to get a fair picture of each debtor by merely referring to credit information on file, or to their respective rating.

The point is that with our modern Credit Interchange system we are in a position to make use of the principle of "knowing the debtor" and appealing to him personally, regardless of whether the account is large or small.

After having related the value of "knowing the debtor"; the ease of obtaining this knowledge; how this enables us to picture him as a personality and deal with each account on its merits, we may now ask the question—How are we to use a series of form letters under these varied conditions and yet make a personal appeal?

Fundamentally, the plan is simple. As accounts become delinquent and do not respond to a friendly reminder, they are immediately analyzed and broken down into classes, or groups, based upon the analysis—just as a commercial rating agency, such as Dun and Bradstreet, analyze an account and gives it a definite rating. The only difference is that instead of giving the customer a rating we place the account in a class. For example: a class for careless accounts; slow pay with small capital; slow pay with moderate capital; slow pay with sufficient capital; involved accounts; seasonal accounts; valuable accounts to be assisted; etc. No general classification can be given, as each business has its own credit policies and conditions in each industry are different.

For each class of accounts there is a series of form letters. So, after classifying a delinquent account, we merely have to mark it accordingly and turn it over to a clerk or stenographer and it is automatically set on an outlined road headed toward a definite conclusion.

This might best be explained by illustration. Suppose the "A" company

Dear Sir:

"JONES BANKRUPT? I CAN'T BELIEVE IT:" Yes, Jones is bankrupt—because he didn't pay his bills. And he didn't pay his bills because he didn't collect his accounts. His slow pay customers inadvertently caused his failure.

Jones is a friend of mine and when I read of his sad condition it set me to thinking—Although his slow paying customers unintentionally caused him to go into bankruptcy, I do not believe that one out of fifty would have allowed his bills to run so long if he had known what the results would be. They would have made arrangements, somehow or other, to have met their obligations more promptly.

Now Mr. Blank, we like to pay our own creditors promptly. It helps to keep their business in a healthy condition so they can supply us with good raw materials and give us good service.

In turn, we appeal to you for your cooperation so that we also can keep our business in a healthy condition in order to always be ready to serve you well when in need of our product.

For our mutual benefit—won't you please send in your check for the enclosed statement today?

Yours very truly,
The General Fire Truck Corp.

the credit manager to decide what action is to be taken.

Remember, that the form letters instead of running in one general series run in a series of classes and are filed accordingly. Each class is a series of letters mapped out on a road leading to some definite conclusion. I might mention that each letter sent out is typed and signed, having no appearance of a form letter.

We will, of course, always have letters to be dictated. When a customer replies to a letter that has been sent him it naturally requires a special dictated letter and is taken off the schedule of forms to be followed up independently. We must keep in mind that the object of classifying an account when it becomes delinquent is to schedule it toward a definite goal and when we receive a payment or response along the road it indicates that we are getting results. In fact, very few accounts should require all letters in a series. If there should be many, it would indicate that our series of letters were not getting results and should be revised.

As stated before, no general rules for classifying accounts as they become delinquent can be given, as each company has its own credit policies and peculiar problems. It does seem, however, that most any company could build up their own set.

Just consider the legal set-up in law—the basis of our common law is nothing more than a record of prior cases. A rule once established by a decision is applied whenever the same state of facts subsequently arise. It is easier and more just to follow a former decision than to evolve a new rule. Only in case of changed conditions, or some other good reason, does a court announce a new decision. Then the old decision is discarded and the new decision becomes the law for decision of subsequent similar cases. These decisions are collected, classified and published in books to be used in deciding subsequent cases.

A person entering a lawyer's office and asking to see the written law of the State might be handed but one volume, although the lawyer's library might be filled with hundreds of lawbooks, the other volumes being reports of cases decided in the State.

Likewise, why can't we follow this system, at least to a certain degree, in collection letters? (Cont. on page 35)

becomes delinquent and does not respond to one or two friendly reminders—which are form letters. This is where the collection problem really begins, so we immediately refer to the credit file containing all information obtained at the time the account was opened. If necessary, or thought to be advisable, depending on the particular case, we obtain current credit information. From this data we make an analysis and place the account in a definite class. Has he just become slow in paying others? Is he habitually slow pay? Has he merely overlooked us or a little negligent? How about his financial condition? Is his working capital sufficient? Is it a new company? Is the business established? Is the business seasonal? Is it a new account? If not, what is his record with us? Etc.

Now, in our illustration let's suppose from our analysis we find that for the past three years the "A" company has been discounting with two suppliers; with three others he is fairly prompt; with five others he is very slow; and that his working capital is small. Wouldn't this analysis indicate that he is permitting his creditors to finance him to some extent, and that he is most probably paying the ones who pushed him hardest?

We will place the account in class "D" (slow pay accounts with small capital). In this class we have made

our road very short. We have a series of only two form letters spaced about eight days apart. The first letter is friendly but emphatic. The second letter is plain spoken and states that we will forward a draft to his local bank for collection if payment is not received by a definite date. If the draft should be dishonored the party handling the account turns it back to the collection manager for special attention. Of course it is very seldom that it will be necessary to take every step, as results would have been obtained in the first one or two steps. The point is that once an account is scheduled in a definite class it is headed toward a conclusion. Bear in mind that the example selected is merely to show the progression once an account is classified. A class might progress toward a friendly solution. Also one class might have a series of five or six letters, while another may have only two or three.

In summing up the procedure, we find that it consists of three successive steps: (1) Send out one or two friendly reminders on accounts as they become due; (2) If no results are obtained the account is referred to the credit manager for analysis and classification. In other words, he schedules it for a certain series of form letters; (3) If no results are obtained from the series, the account has reached the end of the schedule and is referred back to

Richmond: convention city

by E. R. PATTERSON, President, Richmond Rubber Co., and President, Richmond A. C. M.

For the first time in its history Virginia will be host to the Annual Convention of the National Association of Credit Men, at Richmond during the week of June 8th. This is a privilege we have long looked forward to and our Convention plans are well under way. Richmond, where the South begins; Virginia, the Old Dominion State; and the entire Southeast have much to offer of historical interest, natural beauty and economic value.

One entire day during the Convention week will be spent at Williamsburg, where the restoration financed by John D. Rockefeller, Jr., at a cost of \$14,000,000 is attracting increasing thousands of visitors. It is one of the most interesting and unique sights in the world. Williamsburg of Colonial days with the Governor's Mansion of rare beauty and its spacious grounds, the Capitol Building where the Bill of Rights was signed, Raleigh Tavern, Debtors' Prison, the College of William and Mary, designed by Sir Christopher Wrenn, the second oldest college and the first School of Law in America; Bruton Parish Church and the many streets, buildings and homes restored in their authentic original construction will be of special interest.

Side trips will be made to Jamestown Island, the first permanent English settlement in America, and to Yorktown where Cornwallis surrendered to George Washington, making American Independence become a reality. And here the Nelson House still stands with a cannon ball in its side walls.

At Richmond will be seen St. John's Church where Patrick Henry made his "Give me Liberty or Give me Death" speech, John Marshall's home, Poe's shrine, the Valentine Museum, the Battle Fields surrounding the city and many of the beautiful homes and gardens.

Many visitors will drive to Rich-

mond and visit Mount Vernon, Monticello, Wakefield, Fredericksburg, Natural Bridge, Petersburg, Virginia Beach, the Shenandoah Valley, the Sky-Line Drive and the mountains of Western North Carolina. Some will come by boat to Norfolk and across Hampton Roads.

With its ample hotel accommodations, pleasant and comfortable climate and a sincere desire to have an outstanding Convention, Richmond and Virginia eagerly await the arrival of our guests.

Many will be interested in the industrial and economic conditions of the section, of which we are glad to be able to give a favorable account. Richmond is largely a manufacturing and jobbing center, among its principal manufactured products being tobacco, paper, fertilizer, rayon, stoves, food products, etc. The wholesale houses cover many States and many lines and for years Richmond has been the principal jobbing center for Virginia, North Carolina and South Carolina. Tidewater Virginia is properly renowned for its fish, oysters, peanuts, and Smithfield hams.

The Valley of Virginia produces fruit, grain, dairy products and beautiful women. Lynchburg manufactures shoes and has substantial jobbing interests. Roanoke is a railroad center and a thriving and growing city. Southwest Virginia and North Carolina are large tobacco growing sections, and the two Carolinas grow considerable cotton and have extensive textile manufacturing interests.

1934 brought substantial improvement in all lines, especially among the farmers, and this improvement continued in 1935. 1936 is showing progress over last year and there prevails a general feeling of confidence that agriculture and business will continue on the up grade.

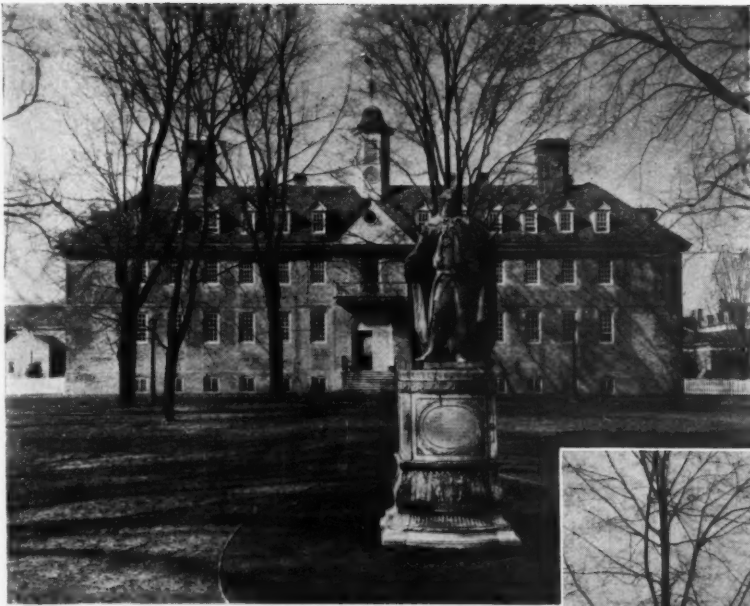
More wealth from the soil was created in the South the last two years

from more abundant crops and better prices, indicating a broader income base and enabling the farmers to pay off debts and increase their purchases of fabricated products of the industries of the country. Our business men have overcome the fear complex and gotten back to serious planning and hard work. Energetic and aggressive management is in the business saddle and headed for better and sounder business than ever before. Our banks have an overabundance of money and legitimate opportunities to lend are beginning to appear and will no doubt increase steadily.

The tobacco farmers' 1935 net income was not as large as 1934 (a larger and more expensive crop having been raised and prices having been somewhat lower), but the 1935 tobacco situation nevertheless was generally favorable. Tobacco manufacturers showed substantial gains in sales and profits.

Spot cotton prices opened at 12.20 in 1935 and closed at 12.10, the fluctuation during the year varying 2.35 cents per pound. These prices were considered fair and the cotton farmers as a whole are in reasonably good shape. Textile manufacturers did not fare particularly well in the first eight months of 1935 but the last four months were profitable and it is believed this condition will continue for 1936. Durable goods, construction and electric output have made good gains and material future development is anticipated in the chemical industry and pulpwood production.

We want you to view our historical sites, see the natural beauty of this section, participate in the entertainment features, enjoy an outstanding Convention Program and investigate our economic advantages. We will welcome you and extend to you that genuine "Southern Hospitality" of which we are mighty proud.

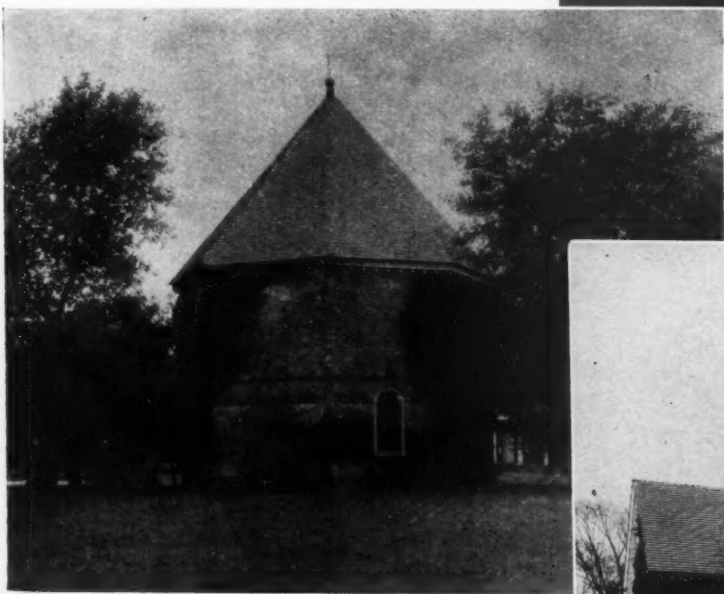


Williamsburg: a rare old city

The Wrenn Building (above) designed
by the famous English 18th century
architect, Sir Christopher Wrenn



The Raleigh Tavern (above)
The Powder Horn (left)

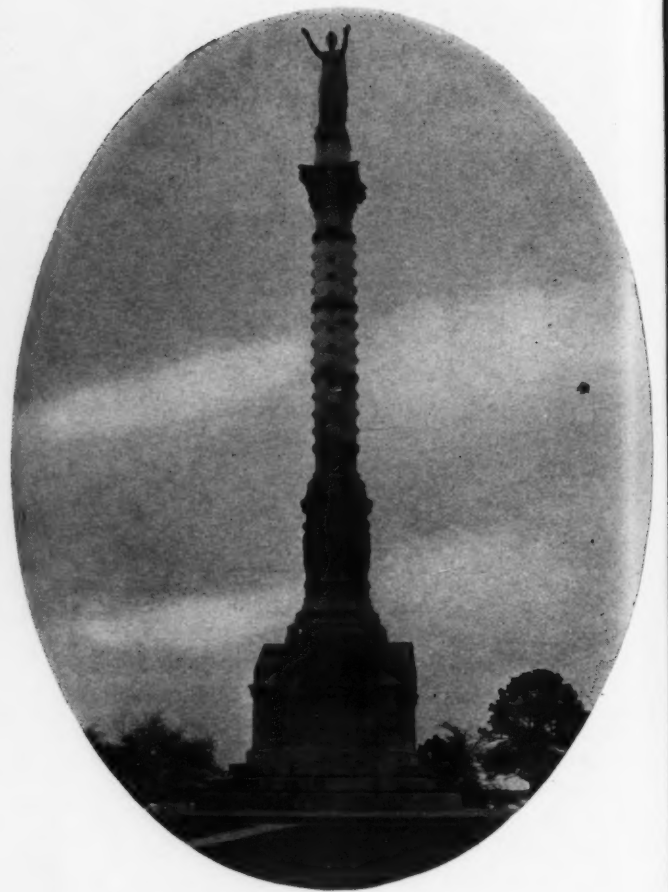


Bruton Parish Church





The restored Governor's Palace at Williamsburg (above)



The Victory Monument at Yorktown (above)



Monument to Captain John Smith at Jamestown, with the church in the background
Convention delegates will visit Williamsburg, Jamestown and Yorktown



Wakefield, in Westmoreland County, a shrine built in 1931, representing the house in which George Washington was born.
St. John's Church where Patrick Henry said "Give me liberty or give me death." (Below)



Stratford birth-
place of the Con-
federate leader,
General Robert
E. Lee.



by C. F. BALDWIN, Manager,
Washington Service Bureau.

Washington B.E.

The year 1936 will be long remembered in Washington for its record cold winter and for the unusually heavy mist of political clamor which enveloped the city for months. Underneath this political turmoil important economic and social issues are being forged into political weapons. Signs of the coming struggle for political supremacy are evident on every hand as the nation's capital divides itself into rival camps of opposing parties and views.

True to tradition, the pre-election Congress is charged with political current. Many pages of the Congressional Record reporting Congressional debates read like reports of campaign stump speeches. The period of cautious political skirmishing is past and, in both the House and Senate, partisan charges, counter-charges and denials are forming a mass of campaign material which will later on be released to the public ears.

For several weeks following the recent momentous Supreme Court rulings, attacks on and defense of the rulings occupied the forefront of these political debates. More recently, much of the time of Congress has been devoted to defense of the general record of the New Deal by Administration spokesmen and attacks on that record by opponents.

To the non-political observer in Washington it seems regrettable that the really fundamental aspects of the growing economic issues are so beclouded by political oratory which too often is designed to appeal to emotion rather than reason, to conceal rather than to explain and face issues.

Much of the time of Congress has so far been devoted to repairing the damage done to the New Deal program by the Supreme Court decisions. Concentration on this important task, however, has not prevented the introduction of a number of bills seeking to limit the power of the Supreme Court and inferior courts to declare acts of Congress unconstitutional—or to specifically withhold such power—and of other bills designed in one way

or another to increase the federal government's power over business activities. Several bills proposing amendments to the constitution to give the federal government greater control over business and agriculture have been introduced in both Houses.

Of the two general proposals—the one to exempt acts of Congress from any judicial decision of unconstitutionality, the other to amend the constitution along the lines mentioned above, the latter seems to be favored by those members of Congress who believe a change in the existing situation is needed. None of the above mentioned measures introduced thus far in Congress has official White House support.

Several bills have been introduced at this session—or were held over from the last session—which would further extend the government's control over business. Prominent among these is the O'Mahoney Bill, now pending before the Senate Interstate Commerce Committee, which seeks to license all corporations engaged in interstate business. Another bill introduced in the House by Representative Scott, of California, would set up a Consumers Advisory Board and a Central Bank for Consumers' Cooperatives which would lend public funds to groups organized to engage in almost any kind of commercial activity in competition with established business organizations. Another bill, with a different purpose, is the Robinson-Patman measure to amend the anti-trust laws and to prevent "discrimination in price as between buyer and seller of identical commodities." Several other measures have also been introduced to tighten up the anti-trust laws and to give the Federal Trade Commission wider powers to prevent unfair trade practices.

It is not suggested here that all of these bills will be passed during the present session or that some of them may not be advisable. The merits of the bills is a point to be determined by Congress and the people but the introduction of these business regulatory measures is a matter of interest to the business community.

The most important development of the session in the field of bankruptcy legislation is the introduction by Representative Walter Chandler of Tennessee of H.R. 10382, proposing an extension and comprehensive revision of the Bankruptcy Act. A number of other amendments to the Act have been introduced in the Senate and House and are in committee. At hearings before a sub-committee of the House Judiciary Committee on March 6th, representatives of the National Association of Credit Men opposed H.R. 10634, introduced by Representative Sabath.

That bill, which would establish by Presidential appointment a Federal Conservator in Bankruptcy and assistants with broad powers—in fact controlling powers—in Section 74 and 77B cases—would in effect bureauize the administration of bankruptcy and was strongly opposed on those grounds as well as others. The bill is still in sub-committee. At a subsequent hearing representatives of the Association also opposed the so-called Frazier-Lemke home moratorium bill.

An outstanding current Washington development is the apparently increasing realization in high Administration quarters that the administrative difficulties in the government to which critics and friends of the New Deal have been pointing for many months are really serious and that some way of improving the administrative conditions, checking expenditures and finding additional revenue will have to be discovered.

Up to the present time economy statements of the Administration have been largely gestures with little practical effect on the budgetary situation. Cancellation of hundreds of millions of dollars of unutilized authorizations to spend government funds which would not be spent anyway does not constitute a reduction in expenditures.

It may, however, mean a change in the policy of several New Deal lending agencies toward a greater concentration on preservation of assets and liquidation of commitments rather than

(before elections)

on making loans. The gestures toward economy which have been made, however, strongly suggest that the immediate future will witness fewer New Deal policies requiring prodigal expenditures and may bring some retrenchment. A possible straw that may point to the future direction of the Administration's "economy wind" is the rumor of impending curtailment of the activities of Professor Tugwell's Resettlement Administration.

How far this move toward reduced expenditures will go before the elections next Fall is problematical. As the writer has suggested in a previous article, retrenchment in many agencies is difficult to accomplish without renouncing policies or retarding or abandoning projects. Such steps are usually avoided by an Administration during the pre-election period when the eyes of the opposition follow its every action and when the cry "we told you so" is not conducive to success at the polls.

Much time and effort is being devoted by the Administration to a study of means of attaining better coordination of its housing activities and developing a new and more effective housing program. It is understood in Washington that some thirty-seven government agencies or divisions are now working on some aspect of the housing problem. Not all of these were established by the present Administration nor are all of them devoted exclusively to housing. There is now, however, a general recognition that part of the lack of success of the Administration's broad housing program may be ascribed to lack of effective coordination of these agencies. As slum clearance, low cost housing projects, mortgage relief and similar aspects of the housing program represent one of the principal and most important policies of the New Deal, every effort is now being made to develop a program which will better coordinate the government's housing activities and eliminate some of the obstacles which have hitherto obstructed the program. Senator Wagner is now understood to

be preparing a bill to provide for a national housing authority which might replace some of the existing housing agencies of the government.

These developments are mentioned in this article because of the influence which the government's housing activities may exert upon business in articles entering into home construction and furnishing.

The most important development in connection with the Social Security situation is the issuance on March 16th of Treasury Regulation No. 90, published by the Bureau of Internal Revenue and containing rules and regulations concerning the collection of taxes under Title IX of the Social Security Act. This publication also contains various interpretations of the Act and defines types of employees who are exempt. An appendix contains the excerpts from the previous Revenue Acts which are referred to in the Social Security Act.

Considerable interest attaches in Washington to the consideration which is now being given to extend the provisions of the Social Security Act to interstate rail and water carriers. The rail carriers are presently subject to state compensation laws and it is now proposed to bring both types of carriers under the federal act. Definite steps to bring this about, however, have not yet been taken.

The Social Security Board itself is still concentrating on internal administrative questions and has not yet issued rules and regulations with regard to the administrative functions assigned to it. Up to the present time the Board has been largely preoccupied with three activities:

(a) Considering and passing on state laws which have been submitted to it.

(b) Developing plans for the physical organization of the Board in Washington and its regional offices, and

(c) Considering possible amendments to the Act designed to strengthen some of its provisions from the standpoint of constitutionality and also to remedy certain defects which have been observed in the legislation.

From the purely physical standpoint the Board is expanding much less rapidly than some of the alphabetical agencies, and this fact, together with the apparent study which is being given to the question of internal organization, gives promise that the Board will be troubled with fewer internal administrative difficulties than some of the other agencies of the New Deal. There is no tendency on the part of the personnel of the Board to underestimate the difficulty of some of the problems which they will face in administering the Act and these problems are regarded as another reason why the organization of the Board itself should be as efficient as possible.

A joint committee comprising representatives of the Senate Committee on Finance and the House Ways and Means Committee is still holding hearings with regard to exemption of private pension plans from the Act.

It still remains to be seen whether the continued efforts of Major George Berry in the direction of what has been called "industrial cooperation" with the government will be of any practical value or merely another series of conferences. Major Berry is now the sole survivor of the N.R.A. and, since the demise of that organization, has been searching for a possible plan to carry on certain elements of the N.R.A. idea. It will be recalled that, at the first Conference for Industrial Cooperation, several committees were appointed to study problems in separate industries and submit recommendations. As an outgrowth of that meeting, a Council for Industrial Progress was formed.

A third conference was recently concluded in Washington. First reports, really progress reports, of committees are now being released by the Council. Copies of these reports may be obtained free of charge upon application to the Coordinator for Industrial Cooperation, Commerce Building, Washington, D. C. Titles of the Reports: "National Industrial Policy," "Anti-Trust Laws," "Financial Aid to Small Business," "Government Competition with Private Enterprise," "Fair Trade Practices," "Hours, Wages and Child Labor," "Internal and External Competition."

The salient recommendations contained in these reports are:

(1) That the industrial policy of the
(Continued on page 29)

The J. H. Tregoe Memorial Prize Essay Contest

In tribute to the late J. Harry Tregoe, Executive Manager of the National Association of Credit Men for fifteen years, who died on October 5th, 1935, the National Association of Credit Men is announcing the details of the J. H. Tregoe Memorial Prize Essay Competition.

I. WHO IS ELIGIBLE:

For Class A prizes, any student or former student in the National Institute of Credit is eligible.

For Class B prizes, any student in the junior or senior classes of schools of commerce or business administration in recognized colleges or universities is eligible.

No employee of the National Association of Credit Men or of any of its local affiliated units is eligible for the competition.

II. PRIZES:

<i>Class A</i>	<i>Class B</i>
First: \$100	First: \$100
Second: \$ 40	Second: \$ 40
Third: \$ 20	Third: \$ 20
Fourth: \$ 10	Fourth: \$ 10
Fifth: 1 copy, 1936 edition "Credit Manual of Commercial Laws" and 1 copy of "Credit and Its Management," by J. H. Tregoe.	Fifth: 1 copy, 1936 edition "Credit Manual of Commercial Laws" and 1 copy of "Credit and Its Management," by J. H. Tregoe.
Sixth: 1 copy "Credit and Its Management," by J. H. Tregoe.	Sixth: 1 copy, 1936 Edition, "Credit and Its Management," by J. H. Tregoe.
Seventh: 1 copy "Credit and Its Management," by J. H. Tregoe.	Seventh: 1 copy, 1936 Edition, "Credit and Its Management," by J. H. Tregoe.
Eighth: 1 copy "Credit and Its Management," by J. H. Tregoe.	Eighth: 1 copy, 1936 Edition, "Credit and Its Management," by J. H. Tregoe.
Ninth: H. Tregoe, for	Ninth: H. Tregoe, for
Tenth: each place winner.	Tenth: for each place winner.

III. THESIS SUBJECTS:

The student has a choice of subjects relating to any phase of credit practice or policy or showing the relationship and importance of credit to the general business and economic life.

IV. JUDGES:

The judges for the contest will be:

William H. Pouch, President of the Concrete Steel Company, New York, and Past President of the National Association of Credit Men

David E. Golieb, Treasurer, International Handkerchief Manufacturing Co., New York

Dr. Albert F. Chapin, New York University

Dr. William H. Steiner, Brooklyn College

David A. Weir, Assistant Executive Manager of the National Association of Credit Men.

V. BASIS OF AWARDS:

The following are among the factors which will be considered in conferring of the prizes:

1. The intelligence and understanding of credit and its importance shown by the student in choosing his subject.
2. Indication given of a knowledge of basic principles and practices in the field of credit.
3. Indication that the student has an adequate conception of the relationship of credit to general business.
4. Indication shown of constructive thought by the

student on credit problems.

5. Clearness and directness in presentation of the subject matter.

6. Neatness, orderliness and method of expression.

VI. ANNOUNCEMENT OF AWARDS:

The awards will be announced at the 41st annual convention of the Association at Richmond, Virginia, during the week of June 8th, 1936. Announcement will also be made in the July issue of *Credit and Financial Management*, official publication of the Association.

VII. GENERAL RULES FOR THE CONTEST:

1. All manuscripts submitted must be typewritten, double-spaced, with at least one extra copy submitted. This second copy may be a carbon.

2. The maximum length of the manuscript is to be 4,000 words.

3. Those intending to compete for prizes should submit the attached blank to the National Association of Credit Men, 1 Park Avenue, New York, before May 1st, 1936.

4. All theses to be eligible for prizes must be in the National Association of Credit Men offices, 1 Park Avenue, New York, not later than Monday, May 18th, 1936. All manuscripts should be sent by registered mail.

5. Pages must be securely fastened at the top. Names and addresses of contestant, together with designation of business connection or school connection, must be typewritten at the top of the first page. The name of the contestant only (for identification purposes) on the top of each succeeding page. The manuscript must be accompanied by a letter of transmittal signed by the contestant.

VIII. PUBLICATION:

1. The thesis winning first prize in each class will be published in the official publication of the National Association of Credit Men—"Credit and Financial Management."

2. The right is reserved to publish any other of the theses submitted in "Credit and Financial Management."

3. No manuscripts will be returned to the writers.

To facilitate handling of essays and preparations for the competition, the attached coupon should be sent to Mr. David A. Weir, Assistant Executive Manager of the National Association of Credit Men, 1 Park Avenue, New York. Submission of the coupon is not a requirement for consideration of a manuscript but it is earnestly requested by the Board of Judges of all those intending to participate.

Mr. David A. Weir,
National Association of Credit Men,
One Park Avenue, New York.

I desire to inform you that I will submit a manuscript in the J. H. Tregoe Memorial Essay Competition in accordance with the contest requirements outlined above.

Name
Address
City & State
School or
Firm

Measuring pay-capacity norms in a statement

by EUGENE S. BENJAMIN, Author, "Practical Credit Analysis"

C Previous to 1920, with the exception of the Current Ratio, there was practically no attempt to measure the various proportions of statements in order to determine whether there was a proper basis for credit; sales data and audited statements were rare, and profit and loss figures still more rare.

Alexander Wall, in 1921, was probably the first to draw attention to the necessity of developing ratios connected with sales, as a constructive and necessary measure in any analysis for credit.

The Current Ratio continued in full use—in spite of the disclosures in 1925, when a large Mid-West wholesale dry goods concern went bankrupt, and the testimony of the bookkeeper defending his part in a fraudulent statement showed that his employer sent him back several times to recast the corporation's statement because "those Eastern fellows want to see a 2 to 1 current ratio."

The reliance on Current Ratio is still responsible for many "doctored" statements and the cause of many credit losses.

Some day every credit man will realize that the Current Ratio is a guess—that there can be no current ratio stated as to any balance sheet, until the analyst can first establish the value of the receivables and the merchandise to the business in question, using the volume of sales as his yardstick.

While understanding the attitude of credit executives who refused to analyze their credits because of the cumbersome and time consuming methods generally in use up to 1933, and because of the inadequate picture of the credit which resulted, it may be safely stated that this partial analysis would have fully compensated them even if it only resulted in giving them the real instead of the estimated value of the current ratio.

But there is no necessity for a cum-

bersome or involved method of credit analysis—there is a simple procedure—inexpensive and practical and profitable to those who will use it.

For Credit Analysis—i.e., for the purpose of determining the credit availability of an industrial balance sheet, we need consider only six primary ratios, viz.:

1. Percentage of receivables to sales.
2. Percentage of merchandise to sales.
3. Percentage of liabilities to sales.
4. Percentage of liabilities to working capital.
5. Times turnover of working capital.
6. Times turnover of merchandise.

Five of these ratios relate to sales, the sixth relates to the capacity to pay.

On the receipt of any statement, an ordinarily intelligent clerk can set up these figures according to present methods and work out these ratios, within 15 minutes.

He can then file the statement, cross indexing it both as to client's name and industry, making a practice of adding to his own files any published statements as to an industry in which his employer has interest. The compilation of these statistics is for the purpose of eventually preparing a Trade Standard, so that comparison of the operating ratios of any individual statement can be made with the acceptable averages of a group in the same industry or trade.

The final preparation of a Trade Standard does take time, probably not in excess of 10 hours' work. This requires only the same intelligent clerk to compile. This Trade Standard will last for several years unless drastic changes take place.

While in the use of Credit Analysis a Trade Standard is not wholly essential, it is extremely valuable to the credit man as it gives him a definite measuring tape.

The Trade Standard is the only known method of fully developing the weakness or strength of the "capacity risk."

In addition it provides a "deadly parallel" as to the "financial risk" and it furthermore often develops the fact that a weak current ratio is not necessarily a barrier to credit.

One of course can develop and utilize credit analysis profitably without compiling Trade Standards but when once compiled, they are invaluable and make possible quick and justified decisions by a credit executive.

The following details are taken from each statement used to compile a Trade Standard, and spread horizontally across the sheet under the several headings.

1. Date.
2. Name.
3. Sales.
4. Receivables.
5. Merchandise.
6. Liabilities.
7. Gross capital.
8. Working capital.
9. % receivables to sales.
10. % merchandise to sales.
11. % liabilities to sales.
12. % liabilities to working capital.
13. Times turnover of working capital.
14. Times turnover of merchandise.

Profit and Loss can be added, as well as Current Ratio, to this list.

It is preferable to head the Standard with the name showing the largest sales and to terminate it with that showing the smallest sales. Columns 3 to 8 inclusive are totalled and from their totals (columns 9 to 14) the six primary operating ratios of the group are quickly determined.

At this point the credit executive comes in. He should determine whether he will accept the group averages or not. Ordinarily he should

reject unduly favorable or unduly unfavorable statements from his calculations and also determine whether divergence in statement dates will influence his judgment. The question of using group averages to determine the percentage of liabilities to working capital is very debatable. Ordinary business usages should control as to this ratio as often the group average is much below the allowable percentage.

An hour of consideration given to a Trade Standard by the credit executive is all that is necessary for the practical utilization of such Standard in valuing submitted credits. No attempt has been made to direct his judgment in presenting to him the operating ratios which exist in a trade or industry. The facts are given him and he can then make his own decision therefrom.

It is safe to predict that after using this method he gets a viewpoint of its value that will remain. If he still clings to the Current Ratio, he cannot deny that simple credit analysis has given him added valuable information and has justified its cost!

Even if this has not been proven in an affirmative way, then looking at it from the negative standpoint, he cannot affirm that his credit judgment has been weakened rather than strengthened by the use of the ratios.

This fact may be shown by the use of the following hypothetical figures showing the Current Position of an applicant for credit.

Cash	\$100,000
Receivables	200,000
Merchandise	250,000
	<hr/>
	\$550,000
Liabilities	\$250,000
Working Capital	300,000
	<hr/>
	\$550,000

The Current Ratio of above is 2.20.

Ordinarily such a financial showing would entitle an industrial enterprise to liberal credit, but a credit analyst would not pass on these figures for credit unless he had information on two factors, *viz.*, the sales and the type of business transacted.

Let us give the sales as \$1,000,000 and the profits as \$50,000.

Then applying these figures and the operating ratios evolved from them, the credit analyst will say:

As to manufacturers of men's wear,

such as clothing, hats, shirts, shoes and kindred lines selling on terms of 60 to 90 days, this statement, although the liability ratios are high, would give fair assurance for credit.

As to mills manufacturing cotton, wool, silk, rayon, or knitted men's wear, this current position would also be satisfactory for credit purposes.

As to jobbers of many types of standard merchandise including textiles and excluding jewelry and luxuries, the figures would be unsatisfactory because all the percentage ratios are too large, and the turnover ratios too small, to realize a net profit. The sales should be at least \$1,250,000 to justify the value set on the merchandise.

As to department stores—all the ratios are out of line and to justify any credit the sales should be \$1,500,000 to substantiate the value set on the receivables and the merchandise.

As to manufacturers of women's outerwear—all the operating ratios are so far out of line, that no consideration could be given to the figures as a basis of credit. For a business of \$1,000,000 annually, the receivables should not exceed \$100,000, and the carried over merchandise \$50,000. A manufacturing business of this type can do a volume of 7 to 10 times its working capital—so that to justify these balance sheet figures the sales should total at least \$2,000,000.

Are not such facts as these important to develop in the consideration of a balance sheet and can any credit man afford to ignore or minimize them?

The compilation of Trade Standards in any and every avenue of manufacturing, jobbing or retailing justifies all reasonable effort and the cost of preparing an analysis, when credit enters into consideration. Every division of industry has its own "atmosphere" and it should be accorded credit on the basis of its natural requirements, plus its ability to pay and not on a basis of a current ratio, which has been established to cover all types.

In a recent article the writer criticized the failure of authors on Statement Analysis to provide practical ratios which could be used by credit men to determine the strength or weakness of a balance sheet for credit purposes, advocating among other recommendations that they "discard the use of general dollar averages and common size statements."

By this it was intended to emphasize the fact that an analysis for credit purposes to be conclusive, and to be acceptable to credit men, must be based on Operating Proportions and not on Dollar Proportions.

Reducing a given balance sheet to 100 per cent statement for a "common size statement" and then comparing it with the trade "group common size statement" produces no facts of large importance to the credit man, and what facts it does give are more or less non-dependable for the following reasons.

A "group common size statement" is made up by compiling balance sheets dated in differing months of the year, and to determine an average from such statements is misleading.

To illustrate this, take the cotton converters, half of whom take inventory about June 30 and the others at December 31. On the former date the merchandise should be at the lowest point of the year, as it is the end of the active season and, per contra, on December 31, at the beginning of the active year, the merchandise may reach the highest point of the year. The general average of statements of these two dates would result in a figure showing that a mid-year statement in spite of large inventory would be acceptable, while the end of the year statement, in spite of a moderate inventory for that date, would be criticized as being inordinately high.

This uneven situation, as to merchandise and receivables and liabilities, would be shown in the balance sheets of nearly every line of manufacturing, wholesaling or retailing, when the statements are dated on differing months in the year.

Furthermore, adding the figures of an inadequately capitalized and badly managed concern to the figures of a fairly well capitalized and well managed concern, or to those of an over-capitalized concern, cannot provide an average condition which would have any value for credit purposes.

The proper method to obtain the Operating Proportions would appear to be using the same trade index or standard as a basis and taking due cognizance of the differing statement dates, to eliminate from consideration all unduly favorable or unduly unfavorable statements and to use only the averages of average businesses as a guide for credit extension.

To show the difference in the operation of the two methods, viz., the use of Operating Proportions or the use of dollar averages, we will take (Table I) an actual balance sheet of a wholesale dry goods company as an example.

(The dollar figures are changed so as to conceal the identity, but the proportions are kept in full account with the balance sheet.)

**TABLE I
CURRENT ASSETS**

	Statement Date December 31
Cash.....	\$ 131,000
Receivables.....	658,000
Merchandise.....	903,000
Total current assets	\$1,692,000
Non-current assets...	186,000
Total assets.....	\$1,878,000

LIABILITIES

Notes payable.....	\$ 692,000
Accounts payable....	78,000
Gross capital or net worth.....	1,108,000
	\$1,878,000
Liquid capital.....	\$ 922,000
Sales.....	\$2,407,000
Current ratio.....	2.19
Reported profit.....	\$ 107,000

These figures when reduced to 100 per cent. statement form and compared with 100 per cent. group figures for the same year will give the dollar averages as shown in Table II.

TABLE II

Assets	Common Size Individual	Common Size Group
Cash.....	7	10
Receivables.....	35	39
Merchandise.....	48	36
Total current..	90	85
Non-current.....	10	15
	100	100
Liabilities..	41	26
Gross capital..	59	74
	100	100
Sales.....	128	167
Current ratio....	2.19	2.37

This comparison clearly indicates that the individual statement is less

favorable than the group statement, but does not demonstrate the actual weakness surrounding all the proportions of the individual balance sheet. Even the proponents of the 100 per cent. or dollar average statement recognize this feature of their system and proceed to go into an involved and cumbersome comparison which takes many times as much time and labor as is necessary to obtain the facts. On the other hand the credit analyst who proceeds to ascertain directly from the original balance sheet the important operating proportions necessary for him to obtain the facts, finds that:

*The percentage of receivables to sales is 27.4 as against an allowable 20
The percentage of merchandise to sales is 37.6 as against an allowable 21
The percentage of liabilities to sales is 32 as against an allowable 16
The percentage of liabilities to liquid capital is 83 as against an allowable 70
The times turnover liquid capital is 2.6 as against necessary for profits 3
The times turnover of merchandise is 2.7 as against necessary for profits 4*

Five of these ratios are based on operating proportions and are obtained from the same index or trade standard after, however, eliminating unduly favorable or unduly unfavorable statements from consideration and after using only the "average of average businesses" as a guide. The results of this comparison shows the necessity of eliminating about 7 per cent. of sales from the value set on receivables and 16 per cent. of sales from the value set on merchandise.

In other words, to find the credit

value of this dry goods statement the analyst deducts \$552,000 from the current assets, because he is convinced that these items have been grossly overvalued in the balance sheet.

He also takes note of the fact that this statement claims a profit on sales with a turnover of only 2.6 times of liquid capital, while the standard showed that average concerns in this industry require at least three times turnover of liquid capital to reach a profit.

He goes further and finds that this balance sheet claims a profit of 4 per

cent. on sales on a turnover of only 2.7 times of its inventory, when all other merchants of this type require four times turnover of inventory to reach a profit. He is firmly convinced by this time that he is faced with a falsified balance sheet.

He then recasts the figures to show the result of his conclusions, with the result shown in Table III.

This shows how the figures were vitally affected by using Operating Proportions in (Cont. on page 31)

**TABLE III
Comparison**

	Original Balance Sheet	Revalued Balance Sheet
Current assets		
Cash.....	\$ 131,000	\$ 131,000
Receivables.....	658,000	490,000
Merchandise.....	903,000	519,000
	\$1,692,000	\$1,140,000
Non-current assets.....	186,000	186,000
Total assets.....	\$1,878,000	\$1,326,000
Liabilities		
Notes payable.....	\$ 692,000	\$ 692,000
Accounts payable.....	78,000	78,000
	\$ 770,000	\$ 770,000
Gross capital.....	1,108,000	556,000
	\$1,878,000	\$1,326,000
Liquid capital.....	\$ 922,000	\$ 370,000
Sales.....	\$2,407,000	\$2,407,000
Current ratio.....	2.19	1.48
Reported profit.....	\$ 107,000	Loss

U. S. sales and collections

State	City	Collections	Sales	State	City	Collections	Sales
Ala.	Birmingham	Good	Good	N. Y.	Albany	Fair	Fair
Ariz.	Phoenix	Good	Good		Binghamton	Fair	Fair
Calif.	Los Angeles	Good	Good		Buffalo	Fair	Fair
	Oakland	Good	Good		Elmira	Fair	Fair
	San Diego	Good	Good		Jamestown	Good	Good
	San Francisco	Good	Good		Norwich	Fair	Good
Colo.	Denver	Fair	Fair		Rochester	Good	Good
	Pueblo	Good	Good		Syracuse	Fair	Fair
Conn.	Bridgeport	Good	Good	N. C.	Charlotte	Fair	Fair
	Hartford	Good	Good	N. D.	Fargo	Fair	Fair
D. C.	Washington	Fair	Fair		Grand Forks	Slow	Slow
Fla.	Jacksonville	Fair	Fair	Ohio	Dayton	Good	Good
	Tampa	Slow	Fair		Toledo	Slow	Fair
Ga.	Atlanta	Fair	Fair		Youngstown	Good	Good
Ill.	Peoria	Fair	Good	Okla.	Oklahoma City	Fair	Fair
	Springfield	Good	Good	Pa.	Allentown	Fair	Fair
Ind.	Evansville	Good	Good		Harrisburg	Slow	Slow
	Fort Wayne	Fair	Fair		Johnstown	Slow	Fair
	Indianapolis	Fair	Fair	R. I.	Providence	Fair	Fair
	South Bend	Fair	Fair	S. D.	Sioux Falls	Fair	Fair
Iowa	Burlington	Fair	Fair	Tenn.	Chattanooga	Fair	Fair
	Cedar Rapids	Slow	Slow		Knoxville	Fair	Fair
	Davenport	Good	Good		Memphis	Fair	Fair
	Des Moines	Slow	Slow		Nashville	Good	Good
	Sioux City	Slow	Slow	Texas	Austin	Good	Good
Kan.	Wichita	Fair	Fair		Dallas	Slow	Fair
Ky.	Louisville	Good	Good		Ft. Worth	Fair	Good
La.	New Orleans	Fair	Fair		San Antonio	Fair	Fair
	Shreveport	Good	Good		Salt Lake City	Fair	Fair
Md.	Baltimore	Fair	Fair	Va.	Bristol	Good	Good
Mass.	Springfield	Fair	Fair		Norfolk	Fair	Fair
	Worcester	Fair	Slow		Richmond	Fair	Fair
Mich.	Detroit	Fair	Fair		Roanoke	Fair	Good
	Grand Rapids	Fair	Fair	Wash.	Seattle	Good	Fair
	Jackson	Good	Good		Spokane	Good	Fair
	Lansing	Good	Good		Tacoma	Good	Good
	Saginaw	Good	Good	W. Va.	Bellingham	Fair	Fair
Minn.	Duluth	Fair	Fair		Bluefield	Fair	Fair
	Minneapolis	Slow	Slow		Charleston	Fair	Fair
	St. Paul	Slow	Fair		Clarksburg	Fair	Fair
Mo.	Kansas City	Slow	Fair		Huntington	Good	Fair
	St. Joseph	Slow	Slow		Parkersburg	Fair	Fair
	St. Louis	Fair	Fair		Wheeling	Good	Good
Mont.	Great Falls	Good	Good	Wis.	Fond du Lac	Fair	Fair
	Helena	Good	Good		Green Bay	Fair	Fair
Neb.	Omaha	Slow	Fair		Milwaukee	Good	Good
N. J.	Newark	Fair	Good	Hawaii	Oshkosh	Fair	Fair
					Honolulu	Slow	Slow

Birmingham, Ala., reports jobbing off because of weather conditions but it has picked up with some warmer weather recently. Heavy industries continue to be good in this area . . . Due to severe temperatures in the area of Denver, Colo., and deep snows, it has been impossible to conduct a normal business. A pick-up was expected, however, in their sales. A general slowing up in collections had been noted in the last month, due to this cold weather . . . In some lines, in Jacksonville, Fla., there is an improvement in both sales and collection, but in the retail merchandising lines business is still a little off . . . Likewise, due to adverse weather conditions, Sioux City, Iowa, says sales and collections have been slowed up. Snow-bound dealers were unable to get out

on their own collections . . . While collections with some of the wholesale

Summary

This month:

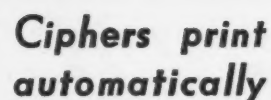
Collections:	Sales:
Good 32	Good 34
Fair 48	Fair 52
Slow 14	Slow 8

Last month:

Collections:	Sales
Good 37	Good 40
Fair 48	Fair 47
Slow 7	Slow 5

houses in Shreveport, La., were a little lower than expected during February, an improvement over the same period for last year is shown. The wholesale and retail sales as a whole are reported better. Farming, saw-milling, oil prospecting and development are all active and the prospects for 1936 are, as a whole, favorably regarded for this section . . . Abnormal weather conditions blocking highways have interfered with the natural course of business in Omaha, Neb. As quickly as transportation is restored, a decided pick-up in sales is expected . . . In Chattanooga, Tenn., the trend has been toward slow in both sales and collections . . . Austin, Texas, tells us the latter half of February was better than the first half for collections. Their sales are up about 15%.

SHORT-CUT KEYBOARD



Fewer motions . . . that's what makes a Burroughs so fast. Automatic ciphers, saving nearly one-third of the work, are only one of its many short-cuts. Other short-cuts permit the operator to add or subtract an entire amount with one motion of the hand. Taking a total is also a single motion. Could any machine be faster, simpler, easier to operate? For your copy of a new and interesting booklet picturing and describing these and other exclusive advantages of the short-cut keyboard, telephone your local Burroughs office. Or write direct to
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Since Burroughs prints ciphers automatically, there is no time wasted writing them; no danger of error in writing too many or too few ciphers. The shortcut keyboard is the only one that provides this great saving in time and effort.

When writing to advertisers please mention Credit & Financial Management

This month's collectors:

Submitted for the approval of our readers

by PAUL B. WERTZ, Secretary, F. S. Wertz & Son, Reading, Pa.

Dear Sir:

Won't you please arrange to take care of the past due items in your account at once. Three weeks ago our representative told us you would be sending a check very soon and it was on the strength of this promise that we made shipment of the last lot of feed. This check, however, was never received and it has become a matter of concern to us.

As manufacturers our margins are of necessity very small and we must depend on volume and quick turnover. Our selling prices do not include anything in anticipation of a delay in payment. Credit is extended only as a convenience and in return we must have the cooperation of our customers in keeping their accounts turning over within a reasonable time.

Please cooperate with us in this matter, we want to continue your name on our list of good customers and in making the request that you send us a check promptly, we feel we are asking for nothing more than that to which you consider us fairly entitled.

Dear Sir:

Well, sir, we are again enclosing a statement of your account. When you called for this Meal you definitely promised that you were getting a check into the mail at the time, and we depended on it. That's five weeks ago and we are still waiting on it.

Won't you please take care of this matter at once. You know our business as well as your own depends on the prompt payment of accounts owing. Only with such cooperation from our customers can we continue to give the uninterrupted service that is expected of us.

Please oblige by taking care of it at once.

Dear Sir:

Your account of which we are again enclosing a statement is now 60 days old and needs attention quickly.

We originally agreed to handle the shipment on open account as a matter of convenience to you and we are not yet willing to believe that we made a mistake in so doing.

Please justify this belief on our part by remitting promptly so that we will not be obliged to take further action.

Dear Sir:

Though we had understood from our representative, who called on you recently that some payment from you could be expected soon, we have had no word from you with reference to your account.

This bill is now nearly 5 months old and we are certain that with some effort on your part an occasional payment could have been made and possible the account cleaned up entirely by now. We also feel it is unfair to make us wait so long after several definite promises to pay and no doubt in the meantime buying feeds elsewhere and paying for them.

Don't wait to accumulate the whole amount, send us what you can from time to time, or if you can furnish grain bring it to us, we will allow you as much as we possibly can and credit your account. No doubt many of your customers who owe you money will be glad to deliver grain to you to liquidate their account and you can in turn send it to us for credit. Any quantity in excess of the amount owing we will be glad to pay you in cash.

This arrangement should be very acceptable to you and your customers, it makes no cash layout necessary, yet accomplishes the purpose.

Please let us hear from you quickly.

C "While a good collection letter usually applies to most lines with but few changes, our line is somewhat different. The manufacturing and wholesaling of feeds stuffs is done entirely on a cash basis, purchases and sales are all in car load lots, sight or arrival draft with B/L attached. For local sales to dealers within trucking distance, this arrangement does not

work and credit is extended," Mr. Wertz explains in sending these letters.

"Margins are exceedingly small and it becomes necessary to watch accounts very closely and frequently to write collection letters. While they may not be adapted for other lines, we are glad to include a few herewith."

A great deal of collection letter writing, however, can be obviated if proper

care is taken in analysis of credit responsibility. The most fundamental, up-to-date method ever devised for knowing just how worthy your credit applicant is as a risk has achieved foremost standing among credit executives because it is based on the current record of the customer in paying his other debtors. There is no substitute for a Credit Interchange report.

Washington

B. E. (before elections)

(Continued from page 21)

country should be designed to increase the buying power of the consuming market through the maintenance of adequate wage scales, the progressive lowering of selling prices through cost reductions, and the reduction of capital and debt charges.

(2) That Congress create a commission having authority to determine minimum wages and maximum hours in industry and regulate child labor.

(3) That powers of the Federal Trade Commission with regard to unfair trade practices be increased and that legislation be enacted to make Group II rules of the Federal Trade Commission enforceable by law.

(4) That the functions of the Federal Trade Commission be limited to investigation and prosecution and that its judicial functions be transferred to an independent commission.

(5) That the government stimulate its facilities for extending loans to small business enterprises.

(6) That government competition with private enterprise is justified only when necessary in connection with national defense problems, for the conservation of natural resources or for the general welfare.

The committee on National Industrial Policy declared its belief in an economy of abundance and its disbelief in limitation of production.

It would, of course, be premature even to hazard a guess as to whether the context of these reports will be used in the formulation of future policies of the Administration. It is evident that some of the recommendations of the committee run directly counter to the present policies of the Administration. Because of the President's interest in this work, however, these first reports and any succeeding reports which are issued should be of considerable interest.

Meanwhile the House Judiciary Committee has commenced hearings on the Healey Bill (H.R. 11554) which would require minimum labor standards from all firms doing business with the government. It will be recalled that Senator Walsh introduced a similar bill (S. 3055) which passed the Senate in August, 1935, and is now in the House Judiciary Committee. The Healey bill is more moderate than the Walsh bill, which would require contractors, sub-contractors and suppliers on government contracts to comply with the wage and hour provisions in N.R.A. codes or the President's Re-employment Agreement.

The Healey bill would exempt contracts under \$2000 and authorize the

Secretary of Labor to prescribe minimum wages and hours. While the Walsh bill would make the contractor obtain a guarantee of compliance from sub-contractors and suppliers, the Healey bill would merely require the contractor to give notice to the sub-contractors and suppliers that the order involved was a government contract. Penalty provisions are the same in both bills.

Both measures have been subjected to criticism in some quarters as being designed to carry out the purposes of the N.R.A. in an indirect manner.

Labor banks

The four labor banks in operation on June 30, 1935, had deposits aggregating \$17,262,281, and total resources amounting to \$19,692,385. As compared with the preceding year, these figures represented an increase of 8.6 percent in deposits and 2.7 percent in assets.



Teacher: "Now, if I subtract 25 from 37, what's the difference?"

Little Willie: "That's what I say, who cares?"—*Bankers Life Policy Sales.*

Social Security Board

issues two publications

"The Social Security Act—A Brief Explanation of Its Provisions" is the title of a booklet published by the Social Security Board, located in the Department of Labor Building, Washington. Copies are available upon request.

Also published by the Board recently is "Draft Bills for State Unemployment Compensation of Pooled Fund and Employer Reserve Account Types." This publication bears a note: "These draft bills meet the minimum standards for state unemployment compensation laws required under the Social Security Act, which would permit employers making contributions thereunder to offset such contributions up to 90% of the Federal payroll tax to which they became subject beginning Jan. 1, 1936. These drafts are merely suggestive and are intended to present the various alternatives that may be considered in the drafting of state unemployment compensation acts." This publication, because of the limited supply, is not available for general distribution.

IS YOUR
PAYROLL
UP
?

It's risky to increase your payroll without increasing payroll insurance in proportion. Big payrolls tempt thugs. And few employers are prepared to meet **two payrolls in one week.**

Don't take chances with an unprotected payroll, when a Paymaster Robbery Policy costs so little. Consult your local U. S. F. & G. agent. You will find his experienced counsel of real value in fitting this protection to your needs.



Originators of the Slogan:

"Consult your Agent or
Broker as you would your
Doctor or Lawyer"

U. S. F. & G.

UNITED STATES FIDELITY & GUARANTY COMPANY

with which is affiliated

F. & G. FIRE

FIDELITY & GUARANTY FIRE CORPORATION

Home Offices: BALTIMORE

When writing to advertisers please mention Credit & Financial Management

The business thermometer

EN Mid-March brought reports from Washington to the effect that income tax collections for the first half of March show a substantial gain over last year and that for the first two and a half months the collections for 1936 are above 46% more than for the same period last year. It had been estimated by the Treasury Department that the March collections would amount to \$450,000,000. After the March 15 figures had been totaled the Treasury officials announced, "we expect to attain our estimates."

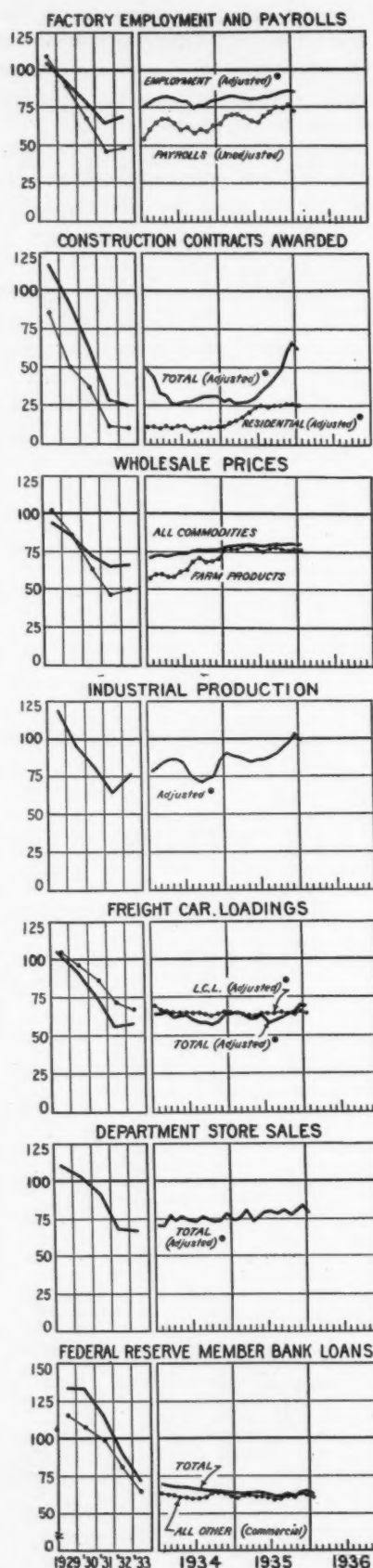
Another indication of "better business" is found in the report of the American Petroleum Institute, which shows the demand for gasoline during the first two weeks in March was 10.5% higher than for the same period of 1935. This included export sales. However the gain in domestic sales reached 11.7% for this period.

Still another index that continues to point to better business is the record of the building industry. For the 37 states east of the Rocky Mountains the February total of contracts for all sorts of construction work was nearly 90% higher than for February, 1935. Up-state New York and the St. Louis areas were the only sections east of the Rockies which did not show substantial gains in residential construction in February.

Motor car sales came back during March after a set-back in February because of the severe weather. Estimates which were being revised in mid-March looked for a 50% increase in production over the February figures. Buick's schedule for March called for 14,000 cars after the initial schedule had been set for that month at 13,000 cars. Other cars in about the same class also were revising production figures during the month. Studebaker had the best sales during the first ten days in March reported in any similar period since 1929. Hudson's production slate was 26% above last year.

On March 19th *Iron Age* said of steel production: "The placing of heavy orders for steel prior to the expected stabilization of prices in the second quarter has resulted in a four

Commerce charts, 1923-25=100



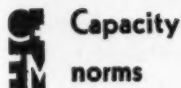
point rise in steel production. At 61% of capacity, current output is at as high a level as it has been since June, 1930, although mills operated at the same rate during the second week in June, 1934. While the current move to stabilize prices will result in only moderate increases and the deadline for the completion of shipments will not be enforced so rigidly, the sudden sharp acceleration in the upward trend of steel output certainly cannot be attributed entirely to normal expansion in demand."

At this season of the year business forecasters look to the Easter trade as a guide for business prospects. During late February many students of business indices seemed rather discouraged over retail trade prospects because of the severe weather. However the Federal Reserve Board's seasonally adjusted index of department store trade for February were placed at 80% (upon a basis of 1923-25 100% average), while February, 1935, was only 75%. For the entire country the gain in department store sales was 9% for the first two months of the year. Chain store sales also were up. The leading 25 chains reporting to the Federal Reserve Board for the first two months of this year indicated a gain of 7.6%. While Easter comes a week earlier than in 1935, the general prediction is that all apparel lines are in excellent position, also that house furnishings and electrical appliances have improved the positions registered last year.

Assistant Secretary of Commerce Draper in his mid-March press conference gave out the following figures showing gains in the following lines for the first two months of the year over the same period last year:

"Industrial production, 9 per cent; department store sales, 6.7; rural general merchandise, 6.3; construction contracts, 98.4; residential construction, 75.8; private construction, 55.9, and bank debits (outside New York), 18.4 per cent."

April and May, it is predicted by many forecasters, will bring a release of a noticeable increase in purchasing demand in retail lines.



(Cont. from p. 25) valuing them for credit purposes.

Every credit man would not fail to see the potency of this presentation, provided, of course, that he accepts the fair Operating Ratios of the group as a fair average on which to criticize this individual balance sheet.

This changed condition as to the balance sheet of this wholesale dry goods merchant has not been forced. The result is reached by logical comparison of the operating proportions of an individual business with the operating proportions of a group of competitive business. It is evident that no system using dollar averages or common size statements for the purpose of valuing balance sheets for credit purposes can result in a more direct or vivid picture than is demonstrated above.

In conclusion, no formula or system of Statement Analysis or Credit Analysis is sufficient in itself to justify definite credit conclusions.

There must be back of it the human element as represented by the business acumen, experience, judgment and ability of the qualified credit man.

The credit analyst should present the facts as he finds them, fairly and without prejudice. The credit man, bank or trade, should be left free to determine the essential goodness or otherwise of the credit.

The credit man often relies on the moral and capacity risks as being as important as the financial risk, and he resents any statement that credit risks must necessarily be based on dollar equality. In many cases he knows more about the actual situation surrounding a credit than any analyst can evolve.

Bankers Magazine.

Mazie: "You've been stenographer for pretty near all the big shots in this department store, haven't you?"

Mabel: "Yes, I'm just about on my last lap now."—*McQuay Norris Broadcaster.*

Butcher—"This pound of butter you sent me is three ounces short."

Grocer—"I mislaid the pound weight, so I weighed it by the pound of chops you sent me yesterday."—"Fire-fax."

Great American Insurance Company New York

INCORPORATED-1872

HOME OFFICE, ONE LIBERTY STREET
NEW YORK CITY

STATEMENT, DECEMBER 31, 1935

ASSETS

Bonds.....	\$13,104,931.00
Stocks.....	29,226,934.00
Cash in Banks and Office.....	1,857,249.10
Premiums in Course of Collection.	2,645,256.76
(not more than ninety days due)	
Other Assets.....	277,688.01
TOTAL ASSETS.....	\$47,112,058.87

LIABILITIES

Reserved for Unearned Premiums.	\$13,388,051.93
Reserve for Losses and Loss Expenses.....	1,567,222.59
Reserve for All Other Liabilities...	810,576.11
Capital Stock.....	\$8,150,000.00
Surplus.....	23,196,208.24
POLICYHOLDERS' SURPLUS.	31,346,208.24
	\$47,112,058.87

Based on December 31, 1935 market quotations for all Bonds and Stocks owned, the total Admitted Assets would be increased to \$48,137,432.87 and the Policyholders' Surplus to \$32,371,582.24. Securities carried at \$1,406,788.00 in the above statement are deposited as required by law.

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*The Great American Insurance Company and its affiliated companies of the
Great American Group write practically all forms of insurance except life*

AGENTS THROUGHOUT THE UNITED STATES



Credit "Q"s



and "A"s

Conducted by E. B. Moran

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in *Credit and Financial Management*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of the law involved.

Ratios

Q. Please give us the names of one or two good books on ratio analysis.

A. We suggest "Financial and Operating Ratios in Management," by J. H. Bliss, and "Ratio Analysis of Financial Statements," by Wall & Duning.

Further information concerning ratios can be obtained from Alexander Wall, Robert Morris Associates, Lansdowne, Pa.

Priority

Q. Where merchandise is ordered and shipped and prior to the receipt of the merchandise a petition in bankruptcy is filed by or against the consignee, and a receiver is appointed, who takes in the merchandise upon delivery after his appointment, is the shipper entitled to priority payment, or does he have only the status of a general creditor of the bankrupt estate?

A. In the absence of a special agreement to the contrary, title to merchandise passes to the consignee upon delivery to the carrier. If the consignee becomes bankrupt and a receiver is appointed before delivery of the goods, the shipper has the right to stop the merchandise in transit, but if he failed to exercise this right and the goods are delivered by the carrier, the receiver may either take in the merchandise or refuse to accept it. If he elects to take in the merchandise, the creditor is not entitled to a priority, but is a general creditor of the bankrupt estate.

However, if at the time the merchandise was ordered, the buyer was hopelessly insolvent, and knew that he had no reasonable prospect of being able to pay for it, it has been held in some of the Federal courts that proof of these facts gives rise to a right on the part of the creditor to reclaim the merchandise from the receiver or trustee. The burden of proof is upon the claimant, and a clear showing of intent not to pay is a necessary prerequisite to successful prosecution of the reclamation proceeding. See *Gillespie v. Piles*, 178 Fed. 886; *Jones v. Hobbie Grocery Co.*, 246 Fed. 431; *In re: Siegel Co.*, 223 Fed. 368; also *Contra: In re: Lewis*, 125 Fed. 143; *Elbro Knitting Mills v. Schwartz*, 30 Fed. (2d) 10.

This subject is fully discussed in 5 Remington on Bankruptcy, 3rd Ed. Sec. 2456.

Installment judgments

Q. Has there been a recent enactment by the New York Legislature providing for the entry of judgments to be paid in instalments?

A. By Chapter 828 of the New York Laws of 1935, effective May 9, 1935, it was provided that in the Municipal Court of the City of New York, a form of summons may be used at the time of the institution of an action which states on its face that the plaintiff offers to accept judgment against the defendant payable in stated instalments, and that if the defendant fails to file with the Clerk a written acceptance of the instalment offer, or to answer the complaint, judgment will be taken against the defendant for the full amount demanded.

The law allows the defendant at the time of answering the complaint, to file with the Clerk a written offer to allow judgment to be taken against him for

a specific sum of money, payable either in a lump sum or in instalments. If the defendant offers to pay a less amount than that demanded in the summons, and the offer is not accepted, and the plaintiff fails to obtain a favorable judgment, he cannot recover costs.

If the offer to accept payment in instalments is accepted by the defendant, judgment is entered requiring the defendant to pay instalments at the times and in the amounts specified in the summons and upon proof that the defendant has failed to pay an instalment, as was provided, the plaintiff may demand execution on so much of the whole judgment as then remains unpaid.

The jurisdiction of the Municipal Court of the City of New York extends throughout the greater city of New York and is limited to the recovery of damages in the sum of \$1,000 plus interest and costs.

Chain store tax

Q. What is the status of the Florida chain store tax law?

A. The Florida Chain Store Tax Law has been held unconstitutional in part by a Federal court. (p. 87.)

A piece of her mind

(Cont. from p. 5) chances out of ten, you use it also. You don't have to apologize for the use of slang, or enclose it between quotation marks, because by enclosing the slang you immediately rob it of its power. If you want to say "It's a whiz"—say it, and don't write "It's a 'whiz'."

There are many other catch-phrases to use in establishing a friendly tone in a letter, and you will be able to find these phrases for yourself by rewriting your letters a couple of times. I know that neither you nor I have any too much time during our daily work to rewrite letters, but if you are able to save one more customer for your firm, or collect one old outstanding debt, isn't it worth the extra time?

Try it some time.



Wife—"I can read you like a book."

Hubby—"Then why don't you? You skip over what you don't like in a book and linger over it in me."—"Firefax."

The newspaper credit man's job

by ALLEN SELBY, Credit Manager, Chicago Daily News

Many of us have spent days of our time in recent years sitting in at creditors' meetings trying to save a business from bankruptcy—to keep an advertiser in business. Long-term extensions of past due debts have been arranged to assist thousands of businesses, and strictly adhering to budgets set up by these committees a very large percentage of advertisers have been able to regain a firm financial status. Our profession has played an important part in retaining today's business and we are looked upon by many as business doctors. Our job has just begun.

Many businesses today are in a liquid position but lack capital for expansion. Are we to be faced with the problem of going into the banking business in order to increase our lineage and assist our advertisers to expand their sales? Our salesmen have approached us from time to time urging us to grant longer credit terms. You no doubt have had the same experience. To do so would be hazardous to the working capital of our newspapers.

I believe it is the duty of every credit or accounting department to make continuous surveys in accounts receivable and keep the advertising department informed of accounts who do not use their credit with us. Take your schedule of accounts receivable a year ago and check against the schedule of accounts receivable for last month. Have you given any thought or consideration to the decreasing number of open accounts receivable on your books, or do you feel that this is for the advertising department to worry about? Where have these advertisers gone?

Many were unable to compete in business and went through bankruptcy. Some are temporarily out of business until they can feel that their capital re-invested in business will become secure. Others have consolidated or merged with other businesses, but many have discontinued advertising with us for various reasons. One authority has stated that 75 per cent of the good accounts that discontinued advertising with us do not give any explanation or reason. The remainder complain, and in doing so, indicate they are desirous of continuing relations with us.

We took the step forward to try and

save many financially embarrassed businesses—now we will extend our efforts toward increasing the business we receive from our present advertisers. To do this effectively we will reorganize our methods and procedures to coordinate with those of all other departments in our institutions. Unfortunately in business we find friction between departments, principally the credit and advertising departments.

The function of the credit department is not to curtail sales but encourage sales, and when the salesman really appreciates that fact, he will find a most useful friend. He will look upon credit problems in a different light as they require perfect frankness on both sides.

Credit problems start when the debtor avoids or refuses to discuss facts, when he feels that the salesman is putting through an order knowing the advertiser is on the border line and makes no explanation or when the credit man feels that he is in the dark.

Salesmen who keep themselves informed as to the credit status of each of their advertisers spend very little time in the credit manager's office and have little worry about being called in for an explanation. Little of their time should be required to collect payments but many salesmen live in fear and terror of a day which may come when they will have to ask the advertiser for a payment. I feel that this is due to their inexperience of handling such matters. Very often they are able to do more than the credit man can do on a delinquent account, due to knowledge of the advertiser's habits.

What is more distressing, irritating or embarrassing for a busy man than to have someone call upon him, fuss, fret and stammer trying to tell a story, whether it be a sales talk or telling him to pay his bill and maintain his credit? Yet, how often this happens, and when one fails, he is apt to blame the other. Let us spend more time in explaining the hows and whys of collection to salesmen.

In large institutions it is necessary to distribute and detail certain function to clerical employees. The salesman sold an ad—an error or misunderstanding occurs. A clerk is assigned to handle

the adjustment and before an adjustment is entered on the records, a collector may be trying to collect. Each one trying to make a record. In the mass of work that must be handled, slips and very costly ones like this occur. What happens to the advertiser? He is sore and stops advertising; so would you.

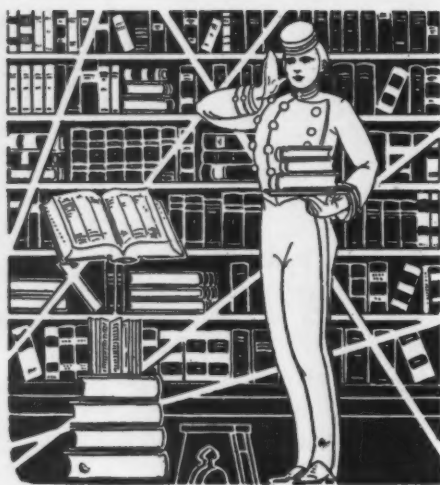
Years of promotion and sales effort have been completely lost. The adjuster should be highly trained in tact and diplomacy in his relations with the advertiser. He should see that the collection follow-up is stopped until the adjustment is made and should appreciate and understand that it is absurd to hold that the advertiser is always right. It is good tact to give and take and avoid the pointed manner of accepting or placing the blame. He must at all times consider the value of the advertiser's future business. Many advertisers have been known to change to another medium for some petty misunderstanding.

Keep in mind that increased lineage can be obtained by selling the advertiser more of his advertising requirements in your newspaper. Keep in mind your assistance to the advertising department by inquiring of sales promotion efforts. Bring those delinquent accounts into a current status so that they too, may profitably participate. This will add to your sales results and lessen the costs of the same.

To credit managers and their subordinates, I recommend these practices:

1. Keep the advertising department advised daily when final payments are received on delinquent accounts.
2. Watch the tact and diplomacy of your adjuster to maintain friendly relations with the advertiser.
3. Give the advertising department at least a week before dead-listing accounts. Very often they can help you.
4. Always thank the advertiser for the payment; be courteous.
5. Show a sincere interest in the progress of the advertiser and your salesmen.
6. Give them your confidence and make them your friends.
7. A pat on the back never hurt anyone.
8. Watch the tone of collection letters and contacts.
9. Encourage—do not discourage.
10. Do a little bit more than is expected of you to make your newspaper better.

—Editor & Publisher.



Paging



books

A plea for world trade

AMERICA MUST ACT. By Francis Bowes Sayre. World Peace Foundation, Boston and New York. 35 cents.

Mr. Sayre speaks with authority. As Assistant Secretary of State in the present administration he is very close to his subject of trade barriers.

Secretary Wallace has said that "America must choose" and outlined the choice between nationalism or international trade that we must make. The administration in its trade agreements seems to be headed for a restricted internationalism in our trading, at least until the world barriers to trade are lowered. With Mr. Peek and his economic nationalism proposals now out of favor in Washington, as his resignation testifies, Mr. Sayre's views can be interpreted as the more or less official outlook prevalent today.

His argument for lower trade barriers relies on the machinery of the most-favored-nation principle. An encouraging but limited start has been made in the past two years. World trade needs much more stimulation of that kind and the logic in Mr. Sayre's argument is highly convincing.

His goal being so worthy, his method so reasonable, his reasons so sound, one is inclined to hope for the best—even

in the face of a realization that in the past decade, for instance, the anti-tariff group won all the debates but the special pressure groups got the tariffs!

If logic ruled the world, the program would now be in operation; in fact there would be little or no argument. But in our everyday world, logic too often is overlooked. In this case, at least, the logical course has a clear-minded and capable advocate. Meanwhile our ultimate choice is known only to such economic gods as there may be. To paraphrase Tennyson: Ours hardly to reason why.

—P. H.

War causes

RAW MATERIALS, POPULATION PRESSURE AND WAR. By Sir Norman Angell. World Peace Foundation, Boston and New York. 35c.

There has been much talk in recent months about the possibility of war, and the warlike gestures of expansion by Japan and Italy and Germany have been justified by commentators as being made necessary by the fact that these countries suffer from lack of raw materials, a population pressure which makes necessary the acquisition of territory where the surplus population can be placed and other factors that tie-in with an economic interpretation of the cause of war.

This distinguished British author, whose writings on war and the Treaty of Versailles have been astute in the extreme, takes forty-six pages in this very fine pamphlet to expose pretty thoroughly the notion that the desire for raw materials and the pressure of population are legitimate causes of war.

He develops the thesis that:

1. Conquest of territory is not necessary to insure adequate supplies of raw materials.
2. Successful war does not enable a nation to dispose of the surplus that cannot be sold at home.
3. War is not necessary for the purpose of opening new areas for investments.
4. Successful war does not enable a nation to collect debts.

In analyzing and discussing the matter of the pressure of population as the cause of war, he comes to the conclusion that immigration is only a temporary cure of the population problem.

Both Italy and Japan have in the past half century gained part of Africa and Asia, respectively, yet the amount of their population that has gone to these conquered territories has been exceedingly small. The true way to solve the irritating problems that tend to develop war is, in the author's opinion, the development of tariff stability and monetary stability, thereby making possible international trade which will give every nation a chance to acquire the raw materials it desires and sell its products. England for an entire century before the World War was an excellent example of what Sir Norman Angell has in mind.—P. H.

Is Dec. 31 a natural?

(Cont. from p. 6) once be broken and a smoothly flowing series of natural dates be substituted therefor, there will be more time to analyze productively, to talk the inconsistencies over reflectively, to secure explanations carefully and to co-operate productively. The resultant elimination of the haste of the pressure caused by congestion cannot help but bring borrower and lender together for a better and more mutually enlightening discussion of problems.

And there remains still one more or less important but still more evident advantage to the use of a natural year dating for statements.

Today accountants, as a whole, operate in a feast or famine manner. During, say, December to March there is more preparative and actual examination concentration than regular staffs can handle. From April to December there is, relatively, a desert. That is, if regular staffs are kept up to a sufficiency to handle the peak congestion load they are relatively idle to a high degree in the desert months.

Regular staffs demand regular pay. So that the present congestion means either that the accountant employ regular well oriented staffs and charge congestion examinations enough to carry these staffs across the desert, or that he employ temporary more or less itinerant examiners for a few months and ease them out. Either is a costly procedure, as any one can see. By breaking this congestion of examination with a staggered load it seems quite evident

that the basic costs of audits might be lessened so that clients could get more complete audits for the same costs or the same audits for lesser costs.

This movement toward a natural business year is not as fanciful a thing as many may suppose. It is a thoroughly sound and practical movement to aid business. At the very present steps are being taken to check up on existing data and develop new facts about what dates are truly natural dates for different industries. As any reader of this small writing comes in contact with this movement he or she is urged to give it thoughtful, full and constructive consideration.

Form letters DO collect!

(Cont. from p. 15) I recall an instance the other day where an account required a certain type of letter. The circumstances brought to my mind a similar case about a year ago on which a letter was written that got results. Instead of dictating an entirely new letter, I dug up that particular letter and used it by merely changing a few words. A copy of that letter is now filed permanently with our forms.

Some of the advantages of the system are summarized as follows:

(a) Control through standardization; impossible for a correspondent to allow an account to go round and round, as each account is scheduled on a straight road and headed toward some definite conclusion.

(b) Better letters; more time and thought can be given to a series of form letters.

(c) Personal letters; each letter is a personal one, as accounts are broken down into classes and a personal appeal made to each class.

(d) Simplicity; Credit man can control a great many more accounts.

(e) Reduces credit losses; where every letter is dictated there is danger of an account becoming dead—many useless letters might be written while somebody else is getting the money.

(f) Economical; it is evident without any explanation that the saving in time, labor and overhead would be substantial.

Just a few words about educational letters, although we may be getting away from the subject. It would seem that we might do a little toward educating customers to the value of prompt payment. The advertising man puts on educational programs to educate the

public to the value of his product. Why shouldn't we educate business to the value to them of meeting their obligations promptly? There are many reasons unknown to a great many.

I have selected the "Jones" letter, published with this article, because it brings to mind one reason for prompt payment that might be used generally. In fact, we sent this letter out in a general mailing on all past due accounts without interrupting our regular collection letters and results were good.

I have been glad to attempt this paper in appreciation of many benefits derived from ideas and suggestions appearing in CREDIT AND FINANCIAL MANAGEMENT from time to time. Like in the interchange of credit information, we benefit also from an interchange of credit ideas.

Building costs show variations

The second monthly report of local cost of building an identical home in various cities, published in a recent issue of the Federal Home Loan Bank Review, indicates an even wider spread between different areas of the United States than shown previously. The figures are compiled from a reporting source established in 100 cities in order to show construction costs in specific localities, and to indicate the trend of cost in any single locality.

Complete specifications of the typical home selected for comparison are published in the February Review. The Review will publish the cost of all of the 100 cities within 3-month intervals, giving a smaller group each month. Following are the index cost figures for the cities reporting in the second survey:

Atlantic City	\$5,922
Camden	5,082
Newark	5,709
Albany	5,340
Binghamton	5,370
Buffalo	5,490
Syracuse	5,500
White Plains, N. Y.	5,143
Indianapolis	5,889
South Bend	5,787
Detroit	5,032
Des Moines	5,874
St. Paul	5,330
Kansas City, Mo.	5,328
Springfield, Mo.	5,808
St. Louis	6,342
Fargo	5,606
Minot, N. D.	5,914
Sioux Falls	5,751
Boise	6,777
Great Falls	6,779
Portland, Ore.	5,267

The value of an insurance agent to an executive depends on how often the executive taps the sources of service backing the agent. When you consult our agents you have placed at your disposal the facilities of an old-established, strong insurance organization, transacting a world-wide business.

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Cash Capital . . \$1,000,000.00
Net Surplus . . . 4,431,263.89
Assets 6,654,075.08



Insurance digest



New U. & O. clause in N. E.

In an attempt to eliminate some of the difficulties arising in connection with the sale of use and occupancy insurance policies and loss adjustment arising under these contracts, the New England Insurance Exchange has approved for use in New England a new agreed amount clause which may be attached to use and occupancy policies, co-insurance form, covering non-manufacturing risks rated as sprinklered or fireproof. It is expected that other sections of the Eastern Underwriters Association territory will soon promulgate the new U. & O. clause, under which, if an assured maintains insurance to the extent of the fixed amount, agreed upon by the insurance company and assured in advance, a definite basis for the adjustment of a loss is determined, says "The Eastern Underwriter."

This latest step is not supposed to be a complete solution of problems associated with U. & O. insurance but is hailed as a step in the right direction by those who prepared the agreed amount clause. Efforts to secure further improvements in use and occupancy policies will be continued even though it is

not believed that any wholesale revision of present contracts will be effected in the near future due to a wide divergence of views among authorities on this form of underwriting. However, if the agreed amount clause tends to clarify use and occupancy insurance in the minds of prospective buyers, thereby making the policy more salable, and also removes trouble in loss adjustments, then an improvement will have been made.

The agreed amount plan is considered by many experts as a solution to the discrepancy in the coverage item of the use and occupancy policy and the co-insurance clause. The coverage item has called for recovery on a net basis, on fixed expenses that continue after a loss, while the co-insurance clause has required that insurance be carried on a gross basis which includes all expenses. Assureds are often unable to determine in advance what expenses will continue if a fire occurs and in the past losses have been complicated because an assured and his insurers differed widely on expense questions. The new agreed amount clause provides that a prospective assured fill out a work sheet which he signs, giving a summary of his receipts and expenses for the past year and an estimate of what he expects to do during the year his U. & O. policy is to be in effect.

Insuring installments

Those engaged in time payment sales will be interested in a campaign now being conducted in Ohio by the Ohio Association of Insurance Agents. This association obtained an amendment to the Ohio Insurance Law in 1935 so that no one can sell insurance in the state except a licensed agent.

A case now up for hearing in the Ohio Insurance Department is being pushed to obtain a ruling to the effect that when automobiles or household equipment are sold on the installment plan and are covered by insurance no one but a regularly registered insurance agent can provide the insurance.

Several of the larger finance companies either operate their own insurance corporations or have arrangements for placing such business on a wholesale basis with some of the established insurance companies.

Business Credit Needs Business Life Insurance

Management has a tangible value, the loss of which can be replaced through adequate business life insurance, just as the value of your plant and equipment can be replaced through other forms of insurance.

Protect the investment represented by the brains and energy of the key men in your business. The business which insures its man value has strengthened its credit both in the present and in the future.



New 6-point coverage

The Eastern Underwriters Association, it is expected, will issue a ruling providing for a new six-point coverage under a supplemental contract for mercantile and manufacturing risks. This six-point coverage is the same as now available for dwelling houses in protected area.

The new contract is to provide protection against the following risks: windstorm, riot and civil commotion, hail, explosion, aircraft damage, and motor vehicle damage to the insured property. This contract, it is expected, will be attached to the regular fire policy and become part of it and will be offered at rates which, it is expected, will prove quite attractive to insurance buyers.

Social security laws

The legislatures of 47 states met during 1935, and enacted a large number of law of interest. With this new legislation, there are now 11 unemployment insurance laws, including that of the District of Columbia, while 39 states, 2 territories, and the District of Columbia have old-age-pension laws. New laws were enacted during the year providing assistance to dependent children and to indigent blind, and many amendments were made to former laws on these subjects. The legislation of 1935 makes a total of 41 states accepting the national employment-agency law and 24 states ratifying the child-labor amendment.

Insurance questions

Answered by D. C. CAMPBELL,
Chairman, National Insurance Group

Getting facts

Q. In checking our customer's insurance coverage we find that mercantile reports usually show only the fire insurance carried. What source is recommended for obtaining full information about the insurance status?

M. T. J.

A. The National Association of Credit Men from the National office at one Park Avenue, New York, New York issue an insurance statement form for use by their members in obtaining full insurance data concerning customer's insurance coverage. These can be had for a small charge and are recommended for use on all large credit extensions to complete the credit file on customer's insurance cover.

Dynamited

Q. In case my property is ordered dynamited by the municipality does my fire insurance policy cover the destruction of the property and if not what remedy have I?

A. In most states the destruction of property by civil authorities to prevent spread of conflagration is excluded in the Standard Fire Policy. One exception being the Standard Fire Policy of the State of California. If the assured has explosion or Riot & Civil Commotion (which includes explosion) he may, for a slight additional cost secure this protection under an endorsement termed "authorized destruction of property."

"We help debtors write us letters"

(Cont. from page 9) this second letter is simply a straight-forward request to pay. Since the first one has not been answered, we may now rightly assume that our figures are correct. The obligation has matured and should be met. The procrastinators generally respond. If the customer does not answer in a reasonable length of time, he either counts the credit of little value or does not intend to pay. It is time then to put him "under the broiler."

The salesmen in the field automatically receive copies of these letters and are thus posted on the condition of the account. When letter No. 2 arrives, it is time to cooperate with the credit

department. We have used this series of forms consistently for about two years and the response has been very gratifying.

you break even. You have then done \$166.07 of work without a cent of profit, when you fail to collect for just one \$10.00 account.—"Creditalk."

WATCH THE LEAKS: If the average profit on sales is 6 percent, an item that sells for \$10.00 carries a net profit of 60 cents. If payment is not received, the merchant not only loses the 60 cents profit, but the \$9.40 of cost. To recover that loss of cost alone, \$156.67 additional sales carrying 6 percent profit must be made before

Young lady, to cop at busy intersection:

"What's the idea—no traffic light here?"

Officer: "I'm the light at this corner, lady."

Young Lady: "Then turn green so I can cross."—"Firefax."

He has a
**RIGHT
TO FEEL
SECURE**

As Trust Officer, he is custodian for the property of scores of clients. Hazards and contingencies of every description threaten these assets, yet when the day ends he can forget. For, with the able cooperation of his insurance agents, he has everything under control...every risk considered and covered...adequately...in sound companies like Fireman's Fund.

To assure strength...permanence...stability behind your policies, consult one of the 11,000 Fireman's Fund agents, or your broker.



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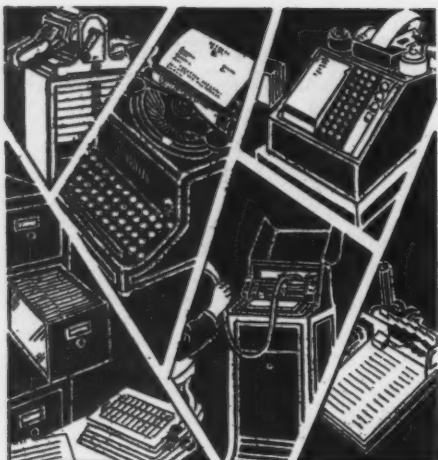
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Office-ally



Controlling office cost

by E. V. MILLS, Sec.-Treas.,
Firemen's Fund Group
San Francisco, Cal.

OF In our business we produce nothing—a statement that becomes less startling with the explanation that we produce nothing tangible. We manufacture nothing. What we do is to offer a service represented by insurance contracts through which we engage to reimburse policy-holders for losses. For that service we are paid a fee or premium, out of which we pay the claims of our policyholders. Between those two points—the premiums collected in the aggregate and the losses paid in the aggregate—our company hopes to make a profit for its shareholders.

The prices or rates which form the basis of our fees are not fixed by the action of supply and demand. They are based on *average* experience, and include average expense costs which have been accepted as adequate and accurate, reflecting the common average of the experience of similar insurance companies.

While a company, because of the conditions of the times or because of

greater than the average happenings, may not always meet the average experience on certain classes of business, it can and should keep the expense ratio or cost of doing business at or within the general average so as to yield a satisfactory operating result even under adverse conditions of business.

One of our major responsibilities is to be ever watchful in the matter of expense, as much depends on how close to the average a company is successful in adhering. In this respect the general expenses embracing the cost of acquisition, field supervision, taxes, licenses, fees, inspections, surveys, safety engineering, and general administration play a very important part. General expense costs quite often make the difference between profit and loss.

It is evident that in our business we must pay strict attention to details. As a matter of fact, we are made up of details from the time an application is received until a claim check is drawn. We have a great many splendid opportunities, in the course of our involvements with the minutiae of operation, to overlook items of expense—in this respect differing not at all from concerns manufacturing and merchandising tangible products.

Office administration is one of those items—with particular reference to office space and layout. An important part of overhead expense is rent. Rent, of course, is based on square foot occupancy, and the required number of square feet depends on the physical arrangement of the office and the system used. The office layout can be so easily corrected that it is surprising to note how often this item of operating costs is neglected.

Probably every business house operating over a long period of years has come to realize, perhaps with a shock, that something has happened to the office. Small units that should be physically adjacent to each other for best results are far from close; passageways and thoroughfares have disappeared or are contracted; office equipment is poorly placed; active files are bulging with records seldom used and just as well stored in cheap reserve space. In fact, a general loosening and dislocation has taken place, the result of changes made to meet a temporary situation. Of course, at the time, there was the best intention to restore order when the emergency had passed.

Because of such tendencies we have learned to make a regular and systematic review and check of our office arrangements, and to scrutinize all operations and details from the point of view of necessity and efficiency as related to expense.

Recently we made an exhaustive study of our office layout, as a result of which about 200 members of our staff with their office equipment were relocated, this involving changes from floor to floor, from one building to another, and the shifting of personnel upon the same floor. The change resulted in definite economies and consequent reduced overhead cost, advanced the efficiency of the office, brought about a saving of time in handling the daily routine, and permitted the centralization of certain units. For example, we were able to create a central typing department where, in addition to other services, we transcribe cylinders for the five companies in our Group. The change also permitted us to centralize all accounting work at one place, whether for fire, marine, automobile or casualty insurance or for surety bonds. Statistical work, too, was localized, and all tabulating personnel and equipment were brought together.

A change in physical arrangement, especially at the head office of a group of five companies, presents problems in moving not generally found when change of location only is involved. It was necessary for us to shift equipment and personnel within a given area already occupied, which of course called for accomplishment without loss of time or interference with the daily routine. While we introduced no innovations, so far as I am aware, it may be interesting to know how this was done.

The responsibility for the work, although under my supervision, was the direct charge of one of our staff members. It was his duty to collaborate with department managers and to take such necessary steps as preparing an inventory; assembling data; drawing up floor plans; arranging for telephone, electric outlets and lights—in short, to do whatever was necessary in setting up a coordinated office.

We first had blueprints made on a scale of $\frac{1}{4}$ inch to 1 foot, most office equipment being more readily ratioed on this basis. The blueprints showed every radiator, post, stairway, and elevator approach on each floor of our two adjoining buildings. We inven-

toried each member of the staff by department to be included in the changes, and then assigned the floor space to the various departments. Rough drafts were made on graph paper and draftsmen's tracing paper, and when finally approved the resulting layout was drawn in on the floor map. As the work progressed, each department head was consulted, and, so far as possible, his wishes and suggestions were followed.

We allotted a minimum space per clerical employee of approximately 30 square feet, with exceptions in the case of operators using larger equipment, such as bookkeeping machines. While the low minimum space requirement was set as stated, we provided for possible expansion through allowing additional space between desks, by establishing oversized aisles, and by arranging desks in single rows which could, if necessary, be rearranged into double rows. Expansion with us is not a vital concern, as, after 72 years in business, our companies have more or less arrived at the point at which the staff and equipment can take care of peaks and valleys. While we plan for increase in business, we do not contemplate marked personnel expansion.

Color tags designated the floor to which the equipment was to be taken. Each clerk was given a carton in which small articles were placed by her before leaving the office at noon on Saturday. It was understood that personal effects would be moved at the risk of the owner and then only if in the carton. Tags bearing the inventory number were affixed by the individual clerk.

All equipment was assembled by the moving company in color groups outside the elevators on the floor from which it was taken, and was in charge of a dispatcher selected from the staff. On arrival at the proper floor, the equipment became the charge of a receiver who directed placement. Each receiver, with the aid of a floor plan and a rule, quickly located the various pieces. Machines were placed on the desks ready for use, the string on the carton was cut, and there remained for the clerk on Monday morning only the detail of disposing of working material.

The rearrangement was begun at noon on Saturday and was finished on Sunday afternoon. There was no interference whatever with the daily work.

As a result of the new layout, we now have a more smoothly running organization and also (Cont. on page 41)



SALES OFFICE OF NATIONALLY KNOWN CHEESE COMPANY REPORTS 50% INCREASE IN BUSINESS CAPACITY!

(From Edison case histories of the World's business)

IN A SALES OFFICE . . . particularly in the Cheese business . . . things must move! . . . Stocks must be fresh and turnover rapid . . . Often, minutes count. Speed is essential.

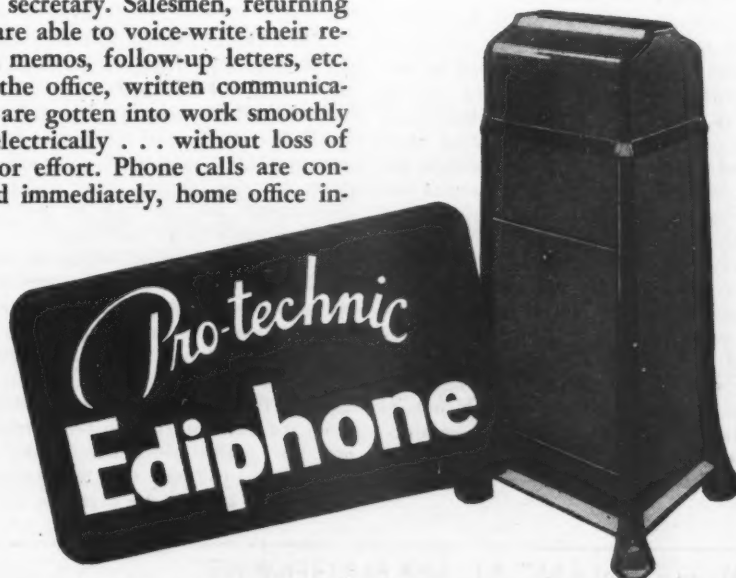
Ediphone Voice Writing allows each dictator to get rid of his correspondence in 1-2-3 order. He can dictate at *any* hour to his Pro-technic Ediphone, without having to wait for a secretary. Salesmen, returning late, are able to voice-write their reports, memos, follow-up letters, etc.

In the office, written communications are gotten into work smoothly . . . electrically . . . without loss of time or effort. Phone calls are confirmed immediately, home office in-

quiries are promptly answered. And business capacity increases—50%!

Edison can prove to you that the Pro-technic Ediphone will increase your firm's business capacity 20% to 50%. Let us show you! Ask for proof . . . no obligation whatsoever! Telephone The Ediphone, Your City, or write to—

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Court decisions



Liability for rent of subsidiary of debtor corporation.

In re: STEIN COSMETICS CO., INC.
United States District Court, Second District, New York, decided October 14, 1935.

"CAFFEY, D. J.—Claim of New York Life Insurance Company against The M. Stein Cosmetic Company, subsidiary-debtor. The claim rests exclusively on an alleged assignment of the lease to The M. Stein Cosmetic Company, the subsidiary. The facts in evidence relied on by claimant are that the subsidiary occupied a portion of the leased premises and for a portion of the period involved paid rent for the whole premises.

"It is established that Stein Cosmetics, Inc., the holding company, had the lease in its own name; that the landlord in correspondence continuously treated it as tenant of the entire premises; that until eviction or removal of both holding company and subsidiary from the premises, the holding company continued its actual occupancy of part of the premises and the transaction of its business thereon in the same way from beginning of the tenancy until its eviction. On the evidence, the court cannot escape finding that the subsidiary occupied a part only of the premises and did this under license from the holding company; that the holding company never went out of possession, but itself retained possession through continuing, until eviction, occupancy on its own account of part of the premises. Claim disallowed."

BANKS AND BANKING—DEPOSIT IN TRUST—Interpretation thereof.

In the Matter of the Estate of Arthur L. Denison, Decd., 157 N. Y. Misc. 385.

The court was asked to determine the ownership of three bank accounts which were opened by the decedent as follows:

First—Account in the Utica Savings Bank in the name of the decedent "in trust for Ruth Denison" his adopted daughter.

Second—Account in the Homestead Aid Association in the name of the decedent as trustee for Ruth Denison.

Third—Account in the same association, in the name of Dorothy C. Denison, decedent's wife.

There was no dispute as to the fact that the decedent himself had personally opened these accounts and retained the pass books which were found in a safe lock box after his death. As to the first two accounts above mentioned the court stated:

"These two accounts, I think, constituted revocable trusts during the lifetime of the decedent, and upon his death became irrevocable."

In interpreting the legal effect of the third account, the court stated:

"Account No. 3 in the name of Dorothy C. Denison, the wife of the decedent, with the Homestead Aid Association of Utica, amounting to \$175, is not a bank deposit and I think not subject to rules laid down by courts in dealing with deposits in banks. The custody of a savings bank book is important in cases involving gifts for the reason that presentation of the book at the bank is essential in order to withdraw funds. An unqualified delivery of such a book from the owner to another with the intent to make a gift of the account is necessary to complete and validate such a gift. This is not true of a bank book of a commercial account subject to check. The book is not presented in order to withdraw funds. Delivery of the book from the owner to another will not constitute a gift. Custody of the book issued by a commercial bank is an immaterial matter. These observations assume cases in which the account is in the name of the depositor. * * * All of the surrounding circumstances indicate an intent on the part of the decedent that the shares or interest represented by the book should belong to his wife."

* * * * *

TRIALS.—MISCONDUCT AFFECTING JURORS. POWER OF COURT TO SET ASIDE VERDICT.

Irving Tableporter v. Morris Urist, 157 N. Y. Misc. 347. An action was brought to recover \$1,000 for breach of a written contract whereby parties were to organize a corporation for the sale of beer and to share equally in its earnings.

The action was tried before the court and a jury. The trial was protracted and bitterly contested. After comparatively short deliberation, the jury returned a verdict for the defendant. Counsel for the plaintiff moved to set aside the verdict on the ground that it was against the weight of evidence and contrary to the evidence and the law. The court denied the motion. Thereupon counsel for the plaintiff, in open court and in the presence of his ad-

versary, the jury, the litigants and other persons then in the courtroom, requested the court to conduct an investigation upon information furnished him by the plaintiff after the jury had entered the room. The court complied with the suggestion and proceeded to conduct its investigation.

Counsel for the plaintiff thereupon stated that a man who had been sitting nearest to the jury box with the defendant and his wife, during the afternoon of the second day of the trial, and who returned the following day, was the son of one of the jurors, and that the plaintiff and his wife had been endeavoring, by movement of his lips, to convey a message to the juror while the court was delivering its charge. The evidence further revealed that the son of the juror had asked the defendant for a job on the second day of the trial, and had returned on the final day to sit with him.

"What occurred in this case, as briefly outlined above, seems to present something more serious than an impropriety or an irregularity. It is considered as questionable conduct, at least, on the part of the defendant and the juror's son. The court cannot ignore the undeniable facts that the juror's son sat with the defendant during an afternoon, asked for employment, which he claims was refused, and yet he returned the following morning and again sat with the defendant in a prominent place in the court room where the jury could observe them together. The interrogation that took place after the verdict was in the presence of all the jurors in the case. The other jurors remained silent. None of them was in any way suspected. But we have not yet reached the day of five-sixths verdicts. A jury must still function as a unit. Their deliberations must be guarded against any extraneous influence that might affect the result. In a recent case the court said: 'Every litigant is entitled to a fair and impartial trial before an unprejudiced and unbiased jury. A party should not be compelled to submit his rights to a tribunal whose honesty and impartiality can be questioned. The triers of the facts should be beyond suspicion. Otherwise the administration of justice will quickly fall into disrepute.' (*Payne v. Burke*, 236 App. Div. 527.) To the same effect is *Matter of Vanderbilt* (127 App. Div. 408), where the court also said 'We cannot determine with certainty, nor is it necessary that we should, that the acts complained of did influence the verdict. It is sufficient for reversal if they are likely to do so.'

This language was reiterated by the Appellate Division in this department in setting aside a verdict that was questioned after its rendition. (*Johnson v. Ritter-Conley Manufacturing Co.* 149 App. Div. 543.)

A party should not be held to a too strict waiver of suspected misconduct. (*Hanrahan v. Ayres*, 10 Misc. 435.)

The right to an unimpeachable trial is a sacred one. An impairment of that right is regarded as a grievous offense. This court refuses to condone what has occurred in this case. Upon the investigation had, the court is impelled to set aside the verdict. The motion is granted.

Controlling office cost

(Cont. from p. 39) have been able to make a very substantial reduction in rent through the relinquishment of thousands of square feet of space no longer required. One illustration of definite economy may be pointed to in our central typing section, where formerly we employed eight girls to transcribe cylinders. Under the old arrangement, a great deal of time was lost because of decentralization and of lack of proper supervision. At present we operate with four girls who transcribe more than 1,000 cylinders each month, averaging a minimum of 5,000 letters, ranging from 76,000 to 85,000 dictated lines, and working on a one-day service basis.

In common with other business houses, we have found it necessary to hew close to the line—in our case the average expense costs peculiar to our business—and it is through such study and adjustment as outlined here that we have been able to keep our operating ratios in their proper relation.

"Executives Service Bulletin"
of Metropolitan Life Ins. Co.

The trade acceptance

(Cont. from page 11)

The trade acceptance usually dates from day of shipment and while it may run for almost any length of time, due date should be confined to a period not exceeding 90 days. Otherwise, its eligibility for discount and rediscount through the Federal Reserve might be affected. For the same reason it is not advisable to use the trade acceptance for extended terms or deferred payments in connection with a chattel mortgage or conditional bill of sale.

Trade acceptances are more readily discountable than notes, should occasion require. In fact, one of its primary purposes is to afford its maker an opportunity to reduce accounts receivable, thereby maintaining sufficient working capital to carry on maximum business.

The banks have been forced to maintain a more liquid condition than heretofore, so why should not the business house endeavor to do likewise? Working capital is controlled by liquid assets, and since trade acceptances are more easily converted into cash than long overdue accounts, they afford a ready source of additional working capital

should necessity arise as a result of increased business.

Of course, when trade acceptances are discounted, quick assets are reduced and a contingent liability is set up due to the necessity of endorsing the trade acceptance when discounting.

At times when certain customers are approached with the request for a trade acceptance they voice the objection that they never sign notes. This stand is sometimes taken because of the stigma, just or unjust, attached to a note. It is then up to the seller to point out the difference between a trade acceptance and the note, and at the same time, should the occasion warrant, advise the customer that it might be a good idea to use them in his own business.

If other objections are offered they should be weighed carefully, for the very nature of a customer's excuse might place doubt on the wisdom of accepting the order even on a trade acceptance basis, for, as previously stated, the trade acceptance is not a "cure-all" for poor credit risks. It has, however, a very definite place, and by proper analysis the justification and value of its application should not be difficult to determine.

Constant use of the trade acceptance in its proper place by all wholesalers and manufacturers should not only result in more profit to them, due to the benefits already described, but also help to create credit expansion by the discounting and rediscounting of such paper through and by the banks with benefit to business in general and a resulting improvement in our welfare.

Back to NRA

Wages and hours of labor have been standardized in cleaning and dyeing establishments in the State of New Jersey under the terms of a recently adopted code for the industry which follows N.R.A. principles. This code establishes a minimum weekly wage of \$14 and hours are limited to 44 to 48 hours per week. Prices are also subject to regulation. The code became effective on December 20, 1935, following an investigation of conditions in cleaning and dyeing establishments made by a special board set up by the legislature earlier in the year and given authority to investigate the industry and prescribe standards.



Blinks—"Does your wife drive in traffic?"

Jinks—"Well, she drives into it, usually."—"Firefax."

New days and new ways in Credit

Change alters the business and credit picture so rapidly that only the most alert can now keep in step. Today's successful men are those who can grapple with today's new problems. The credit leader of the future must have a sure knowledge of the significance of changing trends and developments. An expert training in yesterday's technique is not enough.

To meet the demand of credit and business leaders for an up-to-date and modern training designed to meet the rapidly changing problems in business, the National Institute of Credit has developed a correspondence course in Credits and Collections.

Based on the experience of outstanding leaders in the credit field, arranged and prepared by experts in credit knowledge, this new course enables you to obtain a practical and workable training in credit as you need to know it today.

You are invited to ask for further details of the course.

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Retailing in 1936

FM The upward trend in retailing evident since 1933 should continue through 1936. It is quite likely that the American public, through acquisition of greater debts in 1936, will spend somewhat more than they will earn. These additional expenditures above income may not be entirely reflected in the sales over the counter or in retail outlets generally. Increased home ownership and its related demands may absorb a slightly greater portion of the increased expenditures resulting from a gain in income and from a greater willingness to go into debt.

The increase in sales during 1936 may about equal the gains recorded in 1935, as compared with 1934. On the basis of current indications, sales during the coming year may show a gain slightly above ten percent, but hardly in excess of fifteen percent. Total retail volume of all items in 1936 may approximate \$36,500,000,000 compared with about \$32,500,000,000 probably spent in 1935. The total retail volume in 1929, according to the Census of Distribution, was \$49,000,000,000. A. W. Zelomek pointed out recently in the "Journal of Retailing."

The basis for an estimated increase in retail sales of about twelve and one-half percent is to be found in the indicated higher consumer income. The writer believes that consumer income will probably show a gain of between ten percent and twelve and one-half percent. This definite expectation of an increased income for next year is founded on indicated higher production, increased employment, slightly higher wages, and further gains in industrial and farm income (with industrial income showing more rapid advances than farm income). Dividends to be paid will also average higher, while Government disbursements, including bonus payments, will exceed the 1935 total. Due to lack of space, it is not possible to discuss in detail these various favorable factors.

For the purpose of this discussion, the writer will confine this review and outlook to the probable sales trend of general merchandise as measured by volume recorded in department stores, mail-order organizations, general and variety chain stores.

"You should dress according to your income."

"But I don't believe in nudism."—*"Firefax."*

Calendar reform

In a discordant world the calendar, as has been said, is a "miracle of unanimity." All the peoples of the earth, whatever their local customs of reckoning, have to bring themselves in their relations with one another to the same planetary calculator and "common arbitrator." The telegraph, the telephone, the radio and other means of swift communication are increasingly bringing all to one system of determining "how many days will finish up the year," and then how to apportion them among the weeks, says the "New York Times."

But with all this unanimity there is a widespread demand for the "improvement" or "reform" of the present calendar. This demand has come chiefly from business organizations and scientific societies in their desire to simplify the making of satisfactory statistical comparisons between periods which are now of unequal length. Two plans have been urged. One is a thirteen-month calendar with twenty-eight days in each month, an extra "Year Day" at the end of the year, without week-day name, and a "leap day" as now, but without week-day name. This would make all months begin with Sunday.

The other plan is a twelve-month plan, in which the month is divided into four exactly equal quarters, each quarter consisting of three months of thirty-one, thirty and thirty days. This plan would also call for an extra day called "Year-End Day," to be considered an extra Saturday, and the extra "Leap Year Day" another extra Saturday—these Saturdays to have special designations.

The question of calendar reform, it is understood, will be placed on the agenda of the League of Nations in 1936 if at least two important nations make the request. It is worthy of special note that the American Philosophical Society, with a membership of 500 "selected from among men of the greatest eminence in science, letters and the liberal arts," has recently expressed its preference for the twelve-month plan and favored its adoption provided a substantially unanimous agreement among the civilized peoples of the world is secured in favor of the change.

On the business side, the Chamber of Commerce of the State of New York during 1935 adopted resolutions strongly in favor of the twelve-month "World Calendar." The necessary shifts would be slight, but the change could not be made before 1939, when Jan. 1 falls on a Sunday—which does not happen again under our present calendar before 1950.

Sam had just passed the examination in the World War draft. He said to the examiner:

"Boss, ah'd like to ask one favor, now that you's goin ter put me in de army."

"And what is that?" patiently asked the examiner.

"Don't put me in de cabalry."

"What's your prejudice against the cavalry?"

"Boss, we'en Ah's told to retreat, Ah doan want no horse around to git in mah way."—*"Firefax."*

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Before April 30

APRIL, 1936

Save on Losses
With Interchange

"C" Men Urged to Give Views About New Bill

House Committee is Now Considering Broad Bankruptcy Change

As reported to members of the National Legislative Committee and all members of local Legislative Committees, the House Judiciary Committee through its special sub-committee on bankruptcy is now considering H. R. 10382, a bill to amend the Bankruptcy Act as introduced on January 20th by Representative Walter Chandler of Tennessee. Mr. Chandler is ranking Democratic member of the special Sub-Committee on Bankruptcy of the House Judiciary.

This bill represents the results of four years' study by the National Bankruptcy Conference to perfect and modernize the Federal Bankruptcy Act. It covers many sections and provides for a general revision and rearrangement of the Act.

A copy of this bill was placed in the hands of local legislative committees last summer by the National Bankruptcy Legislative Group. The bill introduced by Representative Chandler is substantially the same as
(Continued on page 45)

James L. Medler, Once N.Y.C.M.A. President Dies in Brooklyn, N. Y.

New York City.—James L. Medler, a former President of the New York Credit Men's Association and for thirty-five years connected with the cement industry in the greater New York area, died at his home in Brooklyn early in March. Mr. Medler was Assistant Treasurer of the Universal Atlas Cement Company and formerly held the same position with the Atlas Cement Company.

Mr. Medler was also active in the affairs of the Crescent Athletic-Hamilton Clubs of Brooklyn.

New Association Starts April 1 at Albuquerque

Announcement is made at the national office that through the efforts and excellent co-operation of the Tri-State Association of Credit Men in El Paso a new association has been established in Albuquerque, New Mexico, which starts operation April 1st under the name of the Wholesale Credit Association of New Mexico. This new association starts with twenty-five charter members.

This brings the total number of affiliated Associations in the national organization up to 123.

There is a very good prospect that within a short time another organization will be chartered in another state giving us another state representation.

Officers of affiliated associations should make note that any matters relative to credit affairs in the New Mexico area should be addressed to the new association, which as stated above is the Wholesalers Credit Association of New Mexico, Albuquerque, New Mexico.

New Rule Book on U.S. Social Security Act Is Now Available

Corporation officials and especially the treasurers, comptrollers and those charged with the accounting work in wholesale and manufacturing corporations will be interested in a new bulletin which has just been issued by the Bureau of Information Service, Social Security Board, Washington, D. C. This bulletin, which is written in question and answer form, covers the new tax regulations on unemployment insurance. It may be had by writing to the Superintendent of Documents, Washington, D. C., requesting a copy of Regulations 90. The price of the bulletin is 10 cents. It was published on March 9th and covers a broad range of information.

In New Orleans



Fred Roth of Cleveland and George J. Gruen of Cincinnati were among the past presidents who attended the annual meeting of the Board of Directors in New Orleans in January. The above snapshot picture made by one of the New Orleans men seems to indicate that Mr. Gruen might be proposing a trade for one of his excellent watches with Mr. Roth for some of his well-known high-grade shoes, or perhaps Mr. Gruen is just telling a story to his old friend Fred Roth.

Utica Credit Men Mourn Death of W. C. Wright

Utica, N. Y. Credit men in the upper New York area were grieved to learn early in March of the death of W. C. Wright, Vice-President of the First Citizens Bank and Trust Company of Utica. Mr. Wright was a former president of the Utica Association of Credit Men and was a member of the Retail Credit Association of Utica. He had also served as president of the Utica Kiwanis Club and in 1928 he was governor of the New York State district of the Kiwanis organization.

Close Race for Memberships in Final Stretch

Pittsburgh and Detroit in Lead as Last Month of Campaign Starts

April 1st marks the start of the home stretch in the annual membership campaign among the affiliated N.A.C.M. associations. The awards which are to be made at the National Convention in Richmond next June in the five classes will be determined by the standing credited to each Association after April 30th. All new memberships in order to be considered in this annual race must be received at the New York office by that date or notification of the memberships must be postmarked on that date.

At the present time, as the race turns into the straight away for the final dash, Detroit and Pittsburgh are in a neck-in-neck race for leadership in Class A. However, New York and Los Angeles have a way of coming up from behind in the straight away stretch and giving an extra spurt in the last few yards before the tape. San Francisco also has been doing some excellent work on membership and plans to spring a surprise before the month is over.

At the start of the month Seattle was well out in the lead in Class B, although St. Louis is making an excellent showing and has a well-trained relay squad ready for the final stretch. A long list of excellent prospects is being worked this month in St. Louis and the result of this effort, undoubtedly, will put the metropolis of the mid-Mississippi area well in the running for the prize.

The contest in Class C will be a close one this year as in previous years. Richmond, the Convention city, is out to capture the cup this year but is finding stiff opposition by the Indianapolis Association. Cincinnati also is showing excellent results on a well worked

out membership campaign and notifies the National office that it is still a contender in Class C. Others having a chance in this division are: Omaha, Grand Rapids, Providence and Rochester.

At the start of the month it looked like anybody's race in Class D. Wichita and Sioux City were out in front with San Diego and Syracuse well up towards the top.

Nashville, Tenn., has held the lead for several weeks in Class E, although Tampa, Waterloo, Oshkosh and Terre Haute, are all going strong on membership campaigns and may top Tennessee before the race is over.

As pointed out in a previous report on the 1935-36 membership campaign, it is again worthy of note that every association having a herd of Zebras as an adjunct of its membership campaign is showing a healthy increase in membership this year. The report on March 1st by the Grand Zebetary indicated that seventeen Zebra herds are now active in as many N.A.C.M. associations and that these groups have a total of 561 active workers. This means that at least 561 new members will have been obtained during the current campaign, for in order to win and hold a membership in a Zebra herd the member must secure a new member or obtain a reinstatement of an old member for his local association.

It will be remembered that the Zebra groups started on the Pacific coast. Los Angeles now has a membership of upwards of 98 zebras; San Francisco more than 39; Seattle 35; Oakland 30, and now comes Pittsburgh after the Convention last year showing a Zebra roster of more than 60.

Correspondence Clinic Held at New Orleans

New Orleans, La.—The Credit Education Committee of the New Orleans Credit Men's Association sponsored a series of lectures on business letter writing on March 23, 24, 25 and 26, under the supervision of Miss Aline E. Hower of St. Louis. While the letter writing course was sponsored by the Credit Education Committee, a large number of interested executives and employees of other departments took advantage of the course of lectures. Secretary-Manager Charles Cobb, of the New Orleans Association, informed us that the attendance at this series of lectures was the largest noted in any educational courses for several years.

Fielden Tells of Credit Changes At Syracuse

Syracuse, N. Y.—National Vice-President Paul Fielden of Worcester, Massachusetts, was the speaker at the dinner meeting of the Syracuse Association of Credit Men held on March 10th. Mr. Fielden's subject was "Commercial Credit and the New Deal." The popularity of the Vice-President representing the Eastern area of the National Association was enhanced when a large number of the Syracuse Credit Men gave high praise to the thoughts presented in his excellent address.

Mr. Fielden outlined several of the problems faced by commercial credit men under present day conditions. He pointed out that the real test of a credit executive is his ability to determine the true value of a credit risk before it is assumed by his house rather than his ability to collect money after the order is shipped.

He stressed especially the value of Central Credit Interchange information in this regard and also the necessity for credit executives to have a complete and up-to-date picture of their customers in order that they might properly evaluate the credit risks presented to them.

Oshkosh Speaker Urges Insurance as Valuable Back-stop for Credit

Oshkosh, Wis.—Credit men should take an interest in the insurance coverage of customers as a matter of protection for the credit risk assumed, said C. W. Hutchinson, state agent for the North British and Mercantile Insurance Company, in a talk before the Central Wisconsin Association of Credit Men here on March 4th.

Mr. Hutchinson, in the course of his remarks, urged credit men to use the insurance statement form recommended by the National Association of Credit Men as a means of obtaining full information regarding the insurance coverage maintained by their customers.

He made it a point that the information contained in this insurance statement was, in his opinion, quite as important as that of obtaining and filing a financial statement blank.

NAMED NEW HEAD OF N.Y.C. "475" CLUB

New York City.—John L. Redmond, Vice-President of Crompton-Richmond, Inc., was elected President of the "475 Club" (composed mostly of members of the New York Credit Men's Association) at the annual dinner meeting at Cavanaugh's on March 3rd. Mr. Redmond is first Vice-President of the New York Credit Men's Association and a director of the National Association.

The "475 Club" is composed of credit men who were active in the affairs of the national convention held in New York in 1926, at the time, William H. Pouch was named president. When it became known at the time of the National Convention in Washington, D. C. in 1925 that the next convention would be held in New York a caucus of the New York delegates was called in Room 475 of the Mayflower Hotel at Washington to begin immediate plans for the entertainment of the 1926 convention. The men enrolled at that time and others who took part in the promotion of the National Convention have continued as a social group meeting once each year for a dinner meeting.

Rules Wife May Be Heard at Hearing of Husband's Bankruptcy

A ruling by the Third Federal Circuit Court at Philadelphia early in March may have a far-reaching effect on testimony which may be heard before a bankruptcy court.

It was decided in this case by Judge J. Warren Davis and his ruling was concurred in by Judges Joseph Buffington and Victor B. Wooley, in the case of Max Sheinman, a jobber and retailer of dry goods, that a wife may be called upon to testify against her husband in a bankruptcy proceeding. In his ruling Judge Davis said "the wife of the bankrupt may be examined and must answer proper questions touching the business transacted by her or to which she was a party in order to determine the fact of whether or not she has transacted or has been a party to any business of her husband, the bankrupt."

Watson Gets Signal Honor by Pacific Bank

Los Angeles, Calif.—The many friends of R. W. Watson, immediate past president of the Los Angeles Association of Credit Men, and a prominent figure in the activities of the local association during the time the National Convention met here in 1934, are greatly delighted over the announcement by the Bank of America that Mr. Watson has been advanced to have charge of the credit office of the Southern Division of that large bank. Heretofore, Mr. Watson has been in charge of the credit office in District 6 of the Bank of America organization.

In his new work Mr. Watson has a staff of about thirty handling loan adjustments, loan examinations, loan analysis and general credit work. The department does not tie-in on new loan applications to a great extent, other than assembling certain data for the district credit offices.

Friends of Mr. Watson are delighted that the chief officers of the Bank of America have selected him to have charge of the general credit department for the Southern Division of the bank.

At the time of the Los Angeles Convention Mr. Watson was President elect and served as general arrangement chairman for the convention. The large number of delegates who attended the convention will always remember the Los Angeles meeting with a great deal of fond remembrance of the excellent entertainment provided by the Los Angeles Association.

E.B. Moran Makes Two Talks at Richmond, Va.

Ed Moran, Director of the Service Bureaus of the Newark Association of Credit Men and President of the New York City Rotary Club, spoke at the March 17th meeting of the Richmond Association. Mr. Moran's subject was "The Credit Executive's Place in Industry." Mr. Moran also made a short address at the noon luncheon session of the Richmond Rotary club. Mr. Moran reports activities connected with the National convention next June are now under full steam within the convention Association. Committees are being organized to handle various features of the convention work.

Praises Work of Fraud Dept. in Chicago Case

Canadian Tells of Tracing Goods for Recovery

Much of the effort of the Fraud Prevention Department is carried on "under cover" in co-operation with the established authorities. The prosecutors have welcomed this assistance but in many cases the public knows little of the extensive effort of the NACM Fraud Prevention Department in many of these cases. A letter received from a Canadian official, Isaie Savard, of the customs department, tell how efficiently the Fraud Department operates. The instance mentioned in Mr. Savard's letter resulted in convictions of two to long prison terms. The letter was addressed to creditors who had been defrauded by the men convicted:

"Now that this important case has been successfully completed, I would like you to know that the credit for tracing the seized merchandise back to the original sellers belongs to C. J. Scully, Director, Fraud Prevention Department, 1 Park Avenue, New York City, who, upon hearing of our case in Montreal and suspecting that the parties under arrest were in some way connected with the Foster Import & Manufacturing Company of Chicago, Ill., sent out questionnaires to all known creditors, which, when received by him duly completed, were forwarded to me for my information, and it was on comparing the goods under seizure with the descriptions given on said questionnaires that I was successful in tracing these goods back to the defrauded sellers of same."

Schmidt Speaks at Lincoln

Lincoln, Neb.—National Director W. H. Schmidt of Des Moines, Iowa, was the speaker at the Dinner Meeting of the Lincoln Association of Credit Men at Hotel Cornhusker, on March 16th. Director Schmidt had just returned from a visit at the national office and spoke on some of the important features of National Association activities. This was one of the largest dinner meetings held by the Lincoln Association in recent months.

Credit Career



Lee S. Buckingham, New York City

Lee S. Buckingham was born in Cincinnati, Ohio and shortly thereafter moved to Tiffin, Ohio, where he attended grade school, high school and Heidelberg University, also located in Tiffin, being graduated in 1914.

The day after graduation he became an employee of the B. F. Goodrich Rubber Company, in the treasury department.

After being in Akron for eight months, he was transferred to the New York branch, where he stayed for six months. He was then transferred to the Philadelphia branch as Assistant Credit Manager of the Philadelphia District. After a year in Philadelphia he was transferred to St. Louis as the Credit Manager of the St. Louis District. Remained in St. Louis for about a year and a half and was then transferred back to the New York division and made the Assistant Credit Manager. After another year he was made the District Credit Manager of the New York District.

The granting of credit in the rubber industry, from the first, was a hazardous one because of the very rapid growth of the business itself, but in 1917 the extension of credit became even more difficult, first due to the tremendous sales pressure for volume and the larger credits that were demanded on the part of the customers, and also because there was no credit con-

tact between the ten or eleven large tire manufacturers with the result that customers were playing one company against the other almost continually.

Mr. Webster, Credit Manager of the Goodrich Tire and Rubber Company, and Mr. Buckingham organized the first Credit Group of tire manufacturers for the United States. Semi-monthly meetings were held at which there were round table discussions on all credit problems and each member was allowed to bring up for clearance five names. At these meetings there was also cleared a sheet containing up to ten names submitted by each member for clearance.

Each rubber company had a number so no names were used. This group found favor very rapidly because it was something that was needed so very much in the rubber industry, and it was not long before the plan was in operation throughout the country. It became a very strong factor in the granting of credit.

About 1918 in his talks with the different banking men in New York City and particularly with Mr. M. Hadden Howell of the Chase National Bank of New York, Mr. Buckingham was asked to join the New York Credit Men's Association. Mr. Howell requested him to serve on the Publications Committee of which committee Mr. Howell was then Chairman. He became a member of the committee, enjoyed the work very much. Of course, this work led to other Association work which he has always found very interesting, pleasant, and worth while.

He remained with the B. F. Goodrich Rubber Company for a period of twelve years, but in April, 1926, became a Junior officer in the Manufacturers Trust Company at the Columbus Circle branch. Two years later he was made Assistant Vice President.

In November, 1930, he went with the Clinton Trust Company as a Vice President and was made President of that institution in December, 1933.

1935 Convention City Flooded

Delegates attending the 1935 NACM convention in Pittsburgh have been distressed to learn of the great damage brought to that city in the recent floods. The Smithfield

Cafe (situated about three blocks below the convention hotel was in the heart of the flooded "golden triangle" area. The Horn department store across the street from the Smith-

"C" Men Urged to Give Views About New Bill

House Committee Now Considering Broad Bankruptcy Change

(Continued from page 43)

that submitted to the association last summer.

The work of studying the Chandler Bill is now being carried on by the House subcommittee. As soon as the subcommittee has finished its preliminary work another conference will be held, it is expected, with the members of the National Bankruptcy Conference for discussion of such changes as might be found necessary.

The National Bankruptcy Conference is made up of representatives of the American Bar Association, the Commercial Law League of America, the National Association of Referees and the National Association of Credit Men, as well as representatives of some of the leading law schools of the country. This conference has held a number of conferences during the past twelve months, and the report presented by the N. A. C. M. representatives at the start of the present session of Congress indicated that our members are, for the most part, in agreement with the general plan of the Chandler Bill. Henry H. Heimann, Executive Manager; W. Randolph Montgomery, General Counsel; W. B. Layton, as Special Counsel, and Brace Bennett have taken part in the conferences on these proposed amendments to the Bankruptcy Act.

The members of the House subcommittee on the study of the Bankruptcy Act are Hapton W. Sumners, Texas, chairman; Walter Chandler, Tennessee; James F. B. Duffy, New York; Charles F. McLaughlin, Nebraska; Sam Hobbs, of Alabama; Randolph Perkins, New Jersey, and Earl C. Michener, Michigan.

field Cafe, had several feet of water covering the main sales room. Most of the newspaper offices were in the flooded section. Damage in Pittsburgh will amount to millions, how many millions may not be known for weeks.

Seattle is Host to Conference of No-Pacific Men

Seattle, Wash.—The annual Pacific Northwest Conference was held here on March 19th and 20th. Delegates coming from the following Pacific Northwest Associations were: Billington, Lewiston, Portland, Seattle, Spokane, and Tacoma. Henry H. Heimann, Executive Manager and P. M. Haight, National President were the two principal speakers at the closing banquet.

Roy Colliton, Director of the Central Interchange Bureau, St. Louis and Owen S. Dibbern, Manager of Western Division, were also in attendance at the conference.

The discussion during the two-day session indicated a revival of interest in credit methods and new developments in financial and credit problems in the wholesale and industrial fields.

ASK ABOUT
CREDIT INTERCHANGE

"PROOF of the PUDDING--"

..... IS A TIME-PROVED ADAGE ... THAT'S WHY WE'RE PARTICULARLY PLEASED BY THE FOLLOWING COMMENT IN A LETTER FROM A MEMBER OF THE ASSOCIATION ACKNOWLEDGING A SERVICE RECEIVED FROM THE WASHINGTON SERVICE BUREAU:

"I feel that the service you have rendered us was worth far more than our yearly subscription to the association. In fact this service is one of the best ever put out for our class of trade, in my opinion."

..... THIS MEMBER OF THE NATIONAL ASSOCIATION OF CREDIT MEN—AND SCORES OF OTHERS—HAVE PROVED THE VALUE OF THIS NEW WASHINGTON SERVICE BY USING IT

Washington Service Bureau

National Association of Credit Men

739 Munsey Building

Washington, D. C.

C. F. BALDWIN, Manager

Jamestown to Be Host to Tri-State Session to Be Held Oct. 16-17

Plans are now being formed for the annual session of the Tri-State conference of N. A. C. M. Associations in New York, Eastern Pennsylvania and New Jersey which will be held in Jamestown, N. Y. on October 16 and 17. A special committee from the Jamestown Association has been appointed to confer with counselors of the Associations in the conference area to arrange plans. The members of the Jamestown committee are: Samuel J. Lasser, president of the Jamestown association; E. Edward Farrar, secretary; Lynn W. Eddy and Charles Laycock, manager of the convention bureau of the chamber of commerce.

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Credit Man—ten years Textile experience, three years Public Accounting, college education, legal and accounting training, thirty years of age, married. Will leave New York for good position. Reply Box No. 1, care of Credit and Financial Management.

Credit Manager wishes important connection. Fifteen years experience foreign and domestic trade. Full charge of checking credits and collections. Also Accountant and Office Manager. Neat executive type. Christian. Best recommendations. Reply to Box 2, Credit and Financial Management.

NEW ROOM NUMBER FOR WASHINGTON BUREAU

The room number of the Washington Service Bureau has been changed to 939 Munsey Building, Washington, D. C. May we suggest that you post this number in your correspondence file so that any communication with the Washington Bureau will be addressed to the proper number.

C. F. Baldwin, manager of the Washington Service Bureau, reports that he greatly encouraged over the large number of requests for information now being received from the 122 affiliated associations in N.A.C.M.

A report made by Mr. Baldwin to the annual meeting of the Board of Directors held in New Orleans in January indicated that his bureau had been exceptionally successful in serving a large number of N.A.C.M. members during the first year of its operation.

Shows How Losses on Accounts Cut Profits

We are indebted to Harry W. Voss, Secretary-Manager of the Cincinnati Association of Credit Men, for the following rather startling picture of how credit losses affect business.

"If the average profit on sales is 6%, an item that sells for \$10.00 then would show a net profit of 60c. If payment is not received the merchant not only loses his 60c profit but \$9.40 of cost also. This means that in order to recover that loss the dealer must sell \$156.67 worth of additional merchandise carrying 6% profit before he can break even. In other words, his overhead must produce \$166.00 worth of sales in order to meet the loss on one \$10.00 account."

15 Years Ago

It is interesting to note that the national magazine is now in its sixteenth year in its present enlarged form.

Reference to the April 1921 issue shows that William Walker Orr, now Executive Manager of the New York Association of Credit Men, was Editor of the national magazine, and Rodman Hilder, Managing Editor.

The April 1921 issue devoted a considerable space to the announcement of the national convention which was held in San

US Judge Lauds Fraud Verdict at Burlington

Federal Judge Harland B. Howe in the U. S. Court at Burlington, Vermont, on March 7th, said:

"I think this is a righteous verdict. These defendants are worse than highwaymen. They would cut your throat or scuttle a ship. These men purchased an enormous amount of goods, shipped them out of the State, cut prices and pretended to be operating a legitimate wholesale business."

Judge Howe's remarks were made at the time he sent Van W. Raptis and George Raptis to terms of imprisonment of three years each and Thomas Karadimis for a period of two years, for their wrong doing in the operation of the Crystal Confectionery Company at Rutland, Vermont. It was charged in the indictment against these men that they had violated the National Bankruptcy Act.

The Fraud Prevention Department of the National Association of Credit Men took an active part in tracing down the fraud charges in this case and co-operated with the Federal Bureau of Investigation of the Department of Justice, leading to the indictment of these three men and finally their conviction and sentence to Federal prison.

Providence Hears of Levy Against Surplus

Providence, R. I.—Dr. Chelcie C. Bosland, associate professor at Brown University addressed the Rhode Island Association of Credit Men at the Narragansett Hotel on March 5th. Dr. Bosland spoke of some of the features of the new administration plan to tax undivided surplus earnings. He pointed out that in many of the so-called "heavy goods" industries it was necessary to maintain a larger surplus of undivided profits so as to guard against the ups and downs which, history teaches, come in cycles in their particular line of business.

Francisco on June 14th-17th of that year.

The lead article of the April 1921 issue was written by W. R. Stevens, Credit Manager of the Hercules Powder Company, Wilmington, Delaware, who

Foreign Trade Will Be Discussed in National Program During May 17

May 17th to 23rd will be observed in many sections of the United States as "National Foreign Trade Week." The Chamber of Commerce of the United States is co-operating with the Foreign Trade Department of the National Association of Credit Men of Foreign Trade Bureaus in a large number of Chambers of Commerce, foreign trade clubs and trade associations throughout the United States in promoting the interest attending this observation.

Local Associations desiring to take part in this nation wide observance in May may obtain facts about the program by writing to E. L. Bacher, Manager of Foreign Commerce Department, Chamber of Commerce of the United States, Washington, D. C.

Associations desiring to put on a foreign trade program during this week would do well to write to William S. Swingle, Director of the Foreign Department, National Association, 1 Park Avenue, who will be glad to offer suggestions relative to speakers and general plans for a foreign trade program.

Sam Ardron Serves on New Board to Assist Philadelphia Plants

Philadelphia, Pa.—Samuel Ardron, Jr., Secretary of the Credit Association of Eastern Pennsylvania, has been named a member of the Technical Advisory Council, affiliated with the industrial bureau of the Philadelphia Chamber of Commerce. Other members of the committee are: Dean R. H. Fernald of the Towne Scientific School, University of Pennsylvania; Dr. V. S. Karabasz, professor of industry, University of Pennsylvania; Charles H. Eyles, president of the Poor Richard Club; C. M. Stroup, industrial bureau, Chamber of Commerce.

The purpose of this Council is to co-operate with concerns established in Philadelphia to the end that their business operations may be increased. This is one of the ideas developed by the Philadelphia Chamber of Commerce for the purpose of conserving the established industries, as well as for obtaining new industries for the Quaker City.

Credit Careers



Fred Einecke, Terre Haute, Indiana

Mr. Fred Einecke, Terre Haute, Indiana, is at the present time and has been for a great number of years a director in the Terre Haute Association of Credit Men, which he was instrumental in organizing in 1919.

For the past thirty years, he has been connected with the Miller-Parrott Baking Co. of Terre Haute, who are manufacturers of Biscuits, Crackers and Bread. Their products are distributed throughout the states

of Indiana, Illinois and Kentucky.

Mr. Einecke was connected with the McKeen National Bank of Terre Haute until 1905, leaving this institution to assume the duties of Credit and Office Manager for the Miller-Parrott Baking Co. Later he was elected Assistant Secretary and Treasurer of this company, but still carries on in the capacity of Credit Manager.

The Miller-Parrott Baking Co. has the distinction of being the finest plant in the middle west and is recognized as a substantial asset to the community.

The local chapter of the National Association of Credit Men was organized through the efforts of Mr. Einecke in 1919 and he has given generously of his time and energy in furthering the work of the association ever since its inception. He served as President of the local association at two different times and as Vice-President for one year, as a director almost continuously from the beginning, and as State Counselor on several occasions.

Mr. Einecke is a lover of outdoor sports, particularly fishing and shooting.

Cleveland Zebras in Spirited Contest for Membership Trophy

Cleveland, Ohio.—The Zebra Herd of the Cleveland Association has been divided into several teams for the relay race for new members which will be conducted during the month of April.

"Pop" Rice and members of his Blue Goose team are making wild boasts about how they are going to win the first prize in the membership contest. Les Stolte head of the Silver Streak Team and Charles Lonsdale of the Red Flash Team indicates that "Pop" Rice may have a few surprises before the end of the fiscal year.

The March forum meeting held at the Hotel Statler on March 23 was addressed by Mr. Paul Delcher, Secretary of the First Central Trust Company, Akron, Ohio, who talked on "The National Banking Act of 1935."

A large group of Cleveland Credit Men attended a meeting at Akron on March 19th and report a marked interest in discussions on credit.

Credit Fraternity is Formed in Baltimore for Younger "C" Men

Baltimore, Md.—The Credit Fraternity of Baltimore was organized some three months ago for the purpose of bringing together the younger persons connected with credit departments of members of the association. F. C. Bortner of Hynson, Westcott & Dunning, Inc., one of the Directors of the Baltimore Association is President of the Credit Fraternity and Robert H. Teubner, American Sugar Refining Company, another Director of the Baltimore Association, is a member of the Board of Governors of the Fraternity.

The organization grew out of a Bowling League which was sponsored by the association at the start of the Fall activities. The League has been bringing together some fifty or sixty persons connected with the various credit departments of member firms. One of the purposes of the Credit Fraternity is to promote educational courses among the young men and women employed in credit departments.

Credit Men of Twin Cities at Joint Session

Minneapolis, Minn.—National President P. M. Haight of New York was the main speaker at the March 27th meeting of the Minneapolis Association of Credit Men held at the Leamington Hotel in Minneapolis. This was a joint meeting between the Minneapolis and St. Paul Associations. President Haight stopped in Minneapolis for this meeting on his return trip from a swing around the Pacific Coast associations with Executive Manager Heimann.

Mr. Haight's address before the two twin city associations was "Forty Years of Progress." In his address Mr. Haight reviewed many of the highlights of the National Association during the forty years of its activity.

The Twenty-first Annual Northwest Credit Conference will be held on April 18th at Grand Forks, North Dakota, according to an announcement by National Councilor A. L. Sausen. The Great Northern Railway is offering an exceptionally low rate for transportation leaving the twin cities on Friday night and returning Sunday morning. A large number of credit executives from the Minneapolis-St. Paul area plan to attend the Grand Forks Conference. The local members hope to repay the Grand Forks Association when it brought more than 50% of its membership to the conference meeting held in St. Paul last year.

New York Forum Plans on Insurance

The New York Association conducted an important Forum at Hotel Commodore on March 24 at 7:30 p. m., when a discussion of insurance coverages needed by wholesalers and manufacturers was led by Julian Lucas, secretary of the National Association of Insurance Brokers. This Forum was the first of several such programs planned by the Insurance Group of the New York Association and is in line with the educational program being fostered by the Insurance Group of the National Association. Similar forum sessions will be held by about twenty Associations before the present fiscal year closes.

Self Mailing— financial statement forms

The standard Envelope style forms supplied by the National Association of Credit Men provide their own evidence of postal transmission when suspected fraud arises. Credit Executives find N A C M forms obtain more data for credit files and retain good will of customers.

Form 5-W for Smaller Accounts

Designed for customers who can give only a minimum of financial information. Prices (Postpaid).

Plain	Quantity	With Name and Address
\$4.00	250	\$8.50
6.75	500	12.50
10.00	1000	19.00
13.50	1500	25.65
18.00	2000	34.20
21.35	2500	41.55
25.50	3000	48.45

STATEMENT OF FINANCIAL CONDITION OF

Kind of Business _____ Address _____

TO _____

(THIS FORM APPROVED AND PUBLISHED BY THE NATIONAL ASSOCIATION OF CREDIT MEN)

For the purpose of obtaining merchandise from you on credit, or for the extension of credit, we make the following statement in writing, understanding that you should rely thereon respecting our exact financial condition.

PLEASE ANSWER ALL QUESTIONS. WRITE IN FULL AND PRINT. WRITE WORDS "NONE".

ASSETS		LIABILITIES	
Debit	Credit	Debit	Credit
Cash on hand		Accounts payable for merchandise, etc., past due	
Accounts receivable, net due		Accounts payable for merchandise, etc., not due	
Accounts receivable, past due		Owing to finance companies, banks or others	
Notes and accounts receivable		Owing by _____ (pledged or unpledged)	
Merchandise not on consignment or conditional sale		Owing by _____ (pledged or unpledged)	
There related to cash, etc., or "in case of sale"		Owing by _____ (pledged or unpledged)	
Other current assets (describe)		Notes, interest, unpaid, payable, etc., current	
		Notes payable to banks	
		Payable to partners, friends, relatives, etc.	
		Other current liabilities (describe)	
TOTAL CURRENT ASSETS		TOTAL CURRENT LIABILITIES	
Land and buildings (insert depreciated value)		Mortgage on land and buildings	
Motorcars, furniture and other equipment (insert depreciated value)		Chattel mortgage or lease on auto and equip.	
		Other liabilities not current (describe)	
Due from partners, or others not customers			
Other assets (describe)			
		TOTAL LIABILITIES	
		Net Worth (If copy, include Capital & Surplus)	
TOTAL ASSETS		TOTAL (NET WORTH AND LIABILITIES)	
AVERAGE SALES		AVERAGE MONTHLY SALES FOR CASH	
AVERAGE MONTHLY RECEIPTS		AVERAGE MONTHLY SALES ON CREDIT	

For your corporation, partnership, or individually owned? _____ Yes, know of sale _____

For what amount are you liable to vendors, money, guarantee, etc. 7? _____ Amount of notes or accounts discounted or sold? _____

Amount of fire insurance? _____ Life insurance for benefit of business? _____ What amount of merchandise do you hold on consignment or conditional sale? _____ What amount of machinery or equipment is held under conditional sale? _____

What does it mean? _____ per month. If machinery or equipment is under lease contract, state amount of monthly payments? _____

What books of account do you keep? _____ Actual date of last inventory? _____

Title to real estate is in name of _____ If business premises are leased to you, state when and under what terms? _____ How long have you been established? _____ When? _____

Previous business experience _____

Name and address of your bank _____

BUY PRINCIPALLY FROM THE FOLLOWING FIRMS:

NAME	ADDRESS	AMOUNT OWING

The foregoing statement has been carefully read by the undersigned (both the printed and written matter), and is, to my knowledge, in all respects complete, accurate and truthful. It discloses to you the true state of my (our) financial condition on the day of _____, 19____. Since that time there has been no material unfavorable change in my (our) financial condition, and if any such change takes place I (we) will give you notice. Until such notice is given, you are to regard this as a continuing statement.

Name of Individual or Firm _____

If Partnership, Name Partners _____

If Corporation, Name Officers _____

Date of Signing Statement _____

Witness _____ Signed by _____

Residence Address of Witness _____ Title _____

Form 4-E Provides Full Data

Also shows condensed operating statement. Many use this form as standard. Prices (Postpaid).

Plain	Quantity	With Your Name and Address
\$5.50	250	\$9.50
8.50	500	13.75
15.00	1000	23.50
20.50	1500	32.00
27.30	2000	42.60
33.15	2500	51.75
38.70	3000	60.40

No order smaller than 250 accepted when name and address are desired.

Forms Department
National Association of Credit Men

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